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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2020

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2020	2019	Percentage
	RMB'000	*RMB'000*	of Change
Revenue	**5,253,673**	5,494,670	−4.4%
Gross profit	**1,735,625**	1,833,188	−5.3%
Profit	**772,239**	926,303	−16.6%
Of which: Profit attributable to owners of the Company	**718,959**	887,005	−18.9%
Basic earnings per share *(RMB)*	**0.24**	0.30	−18.9%

	As at 30 June 2020	As at 31 December 2019	Percentage of Change
	RMB'000	*RMB'000*	
Total assets	**30,832,878**	32,324,304	−4.6%
Of which: Current assets	**14,145,155**	14,728,324	−4.0%
Total liabilities	**17,134,548**	19,348,713	−11.4%
Of which: Current liabilities	**11,722,203**	12,358,194	−5.1%
Total equity	**13,698,330**	12,975,591	+5.6%
Of which: Equity attributable to owners of the Company	**13,558,522**	12,839,563	+5.6%

INTERIM RESULTS

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the six-month period ended 30 June 2020 (the "**Reporting Period**"), together with the comparative figures for the six-month period ended 30 June 2019, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2020

		For the six months ended 30 June	
		2020	2019
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**5,253,673**	5,494,670
Cost of sales		**(3,518,048)**	(3,661,482)
Gross profit		**1,735,625**	1,833,188
Other income	6	**296,508**	305,660
Other gains and losses	7	**(29,638)**	14,092
Share of profit of associates		**40,743**	4,228
Selling and distribution expenses		**(171,427)**	(155,032)
Administrative expenses		**(202,125)**	(172,382)
Research and development expenses		**(71,458)**	—
Other expenses		**(20,034)**	(22,637)
Finance costs	8	**(565,672)**	(563,174)
Profit before tax		**1,012,522**	1,243,943
Income tax expense	9	**(240,283)**	(317,640)
Profit and total comprehensive income for the period	10	**772,239**	926,303
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**718,959**	887,005
Non-controlling interests		**53,280**	39,298
		772,239	926,303
Earnings per share			
Basic *(RMB)*	11	**0.24**	0.30

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 30 June 2020

	Notes	**As at 30 June 2020** ***RMB'000*** **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**11,034,187**	11,112,916
Deposits and prepayments		**1,910,721**	2,422,257
Right-of-use assets		**894,932**	901,264
Mining rights		**808,568**	830,943
Goodwill		**294,014**	294,014
Interests in associates		**554,303**	513,560
Derivative financial instruments		**49,427**	49,427
Deferred tax assets		**175,812**	175,840
Pledged bank balances		**103,779**	103,779
Amounts due from an associate		**—**	330,000
Other prepayments		**861,980**	861,980
		16,687,723	17,595,980
CURRENT ASSETS			
Inventories		**1,404,987**	1,061,302
Trade and other receivables	13	**5,858,891**	7,305,611
Amounts due from an associate		**1,029,885**	707,288
Financial assets at far value through profit or loss		**20,319**	20,321
Pledged bank balances		**3,875,670**	3,804,969
Cash and bank balances		**1,955,403**	1,828,833
		14,145,155	14,728,324
CURRENT LIABILITIES			
Trade and other payables	14	**4,199,910**	4,499,829
Contract liabilities		**230,854**	371,604
Loan from an associate — due within one year		**420,000**	800,000
Long-term corporate bonds — due within one year		**2,082,036**	114,263
Borrowings — due within one year		**4,448,368**	5,788,178
Lease liabilities — due within one year		**15,694**	15,036
Current tax liabilities		**310,407**	754,378
Financial guarantee contracts		**14,934**	14,906
		11,722,203	12,358,194
NET CURRENT ASSETS		**2,422,952**	2,370,130
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,110,675**	19,966,110

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**13,534,339**	12,815,380
Equity attributable to owners of the Company		**13,558,522**	12,839,563
Non-controlling interests		**139,808**	136,028
TOTAL EQUITY		**13,698,330**	12,975,591
NON-CURRENT LIABILITIES			
Loan from an associate — due after one year		**530,000**	150,000
Borrowings — due after one year		**2,556,644**	2,497,004
Guaranteed notes		**897,317**	934,566
Long-term corporate bonds		**74,445**	2,031,101
Other financial liability		**992,014**	1,004,445
Lease liabilities — due after one year		**23,622**	25,554
Deferred tax liabilities		**171,183**	175,207
Deferred income		**144,671**	148,963
Provision for environmental restoration		**22,449**	23,679
		5,412,345	6,990,519
		19,110,675	19,966,110

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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. Its immediate holding company is Yu Kuo Company Limited and its ultimate holding company as at 30 June 2020 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 condensed consolidated financial statements are presented in Renminbi ("**RMB**"), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("**IFRSs**"), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

3.1 Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

3.2 Impacts and accounting policies on application of Amendments to IFRS 3 "Definition of a Business"

3.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 Transition and summary of effects

The Group has elected not to apply the optional concentration test on the acquisition of the subsidiary and concluded that such acquisition does not constitute a business under the Amendment to IFRS 3 "Definition of a business".

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2020 *RMB'000* **(unaudited)**	For the six months ended 30 June 2019 *RMB'000* (unaudited)
Sales of cement	**4,736,692**	5,138,827
Sales of clinker	**175,412**	261,688
Sales of aggregate	**341,569**	94,155
	5,253,673	5,494,670
Revenue recognition at a point in time	**5,253,673**	5,494,670

The Group sells cement, clinker and aggregate directly to external customers and revenue is recognised when the control of the 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 enter into sale and purchase agreements with the Group. Such advance payments are recorded as contract liabilities and the revenue is recognised when the control of the goods is transferred to the customers.

5. 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 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 Company's chief operating decision maker reviews the Group's internal reports 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. Our 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 segment:

	Segment revenue For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2020	2019	**2020**	2019
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**4,082,481**	4,407,835	**932,743**	1,159,288
Northeastern China	**1,171,192**	1,086,835	**88,319**	93,215
Total	**5,253,673**	5,494,670	**1,021,062**	1,252,503
Unallocated corporate administrative expenses			**(8,540)**	(8,560)
Profit before tax			**1,012,522**	1,243,943

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

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

6. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**151,472**	196,493
Incentive subsidies	**19,756**	8,755
Interest on bank deposits	**27,090**	30,369
Rental income	**6,806**	900
Reversal of deferred income	**746**	746
Other profit, net	**82,148**	63,274
Software service income	**5,775**	3,641
Others	**2,715**	1,482
	296,508	305,660

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gain/(loss), net	**(30,101)**	4,633
Gain on disposal of property, plant and equipment, net	**463**	9,459
	(29,638)	14,092

8. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	**326,683**	372,033
Bills discounted with recourse	**106,824**	91,821
Guaranteed notes	**59,137**	—
Long-term corporate bonds	**75,864**	100,202
Lease liabilities	**1,347**	2,241
	569,855	566,297
Less: amounts capitalized	**(4,183)**	(3,123)
	565,672	563,174

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 7.13% per annum (2019: 6.68% per annum) for the period ended 30 June 2020.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
— current interim period	**269,310**	329,612
— under-provision/(overprovision) in prior years	**(25,031)**	3,507
	244,279	333,119
Deferred tax	**(3,996)**	(15,479)
	240,283	317,640

No provision for Hong Kong taxation has been made during the both interim periods as no income was generated from or recorded in Hong Kong by the Group.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "**PRC EIT Law**") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25%.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit and total comprehensive income for the period has been arrived at after charging (crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**400,059**	394,321
Amortization of right-of-use assets	**15,884**	9,455
Amortization of mining rights, included in cost of sales	**10,040**	9,196
Amortization of other intangible assets	**—**	405
Total depreciation and amortization, in aggregate	**425,983**	413,377
Cost of inventories recognized as an expense	**3,518,048**	3,661,482
Staff costs including retirement benefit	**234,366**	232,871

11. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(in thousands)*	**718,959**	887,005
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share *(in thousands)*	**2,938,282**	2,938,282

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

12. DIVIDENDS

During the current interim period, no dividend has been paid, declared or proposed to be paid, nor has any dividend been proposed during the current interim period.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade receivables	**715,363**	190,960
Less: allowance for bad debts losses	**(55,703)**	(55,703)
	659,660	135,257
Other receivables	**602,869**	371,626
Less: allowances for credit losses	**(39,451)**	(39,451)
	563,418	332,175
Bills receivables	**973,773**	3,775,206
Advances to suppliers	**3,792,929**	3,270,659
Other advances	**560,000**	560,000
Prepayment for various tax	**171,091**	94,294
	6,720,871	8,167,591
Less: Prepayment to suppliers classified under non-current assets	**(861,980)**	(861,980)
	5,858,891	7,305,611

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

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Within 90 days	**525,446**	12,150
91–180 days	**93,358**	50,086
181–360 days	**25,001**	46,022
1 year to 2 years	**12,469**	23,068
Over 2 years	**3,386**	3,931
Total	**659,660**	135,257

14. TRADE AND OTHER PAYABLES

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Trade payables	**974,567**	954,384
Bills payables	**2,819,900**	2,898,000
Construction cost payables	**181,026**	394,139
Other advances	**96,770**	71,985
Other tax payables	**22,486**	61,404
Other payables and accrued expenses	**105,161**	119,917
	4,199,910	4,499,829

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

	As at 30 June 2020 *RMB'000* **(unaudited)**	As at 31 December 2019 *RMB'000* (audited)
Within 1–90 days	**528,927**	548,687
91–180 days	**77,069**	85,089
181–365 days	**127,433**	116,161
Over 1 year	**241,138**	204,447
Total	**974,567**	954,384

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2020, the economy of the PRC suffered severe impact from COVID-19. With the gradual and effective prevention and control of the pandemic, operation and production resumption and economic stimulus polices promulgated in different regions, the decline in investment tapered and the economic data gradually showed a rising trend. In the first quarter, under the effect of the pandemic, the demand in the cement market was stagnant and the price decreased. The downstream market stabilized and resumed a gradual growth in the second quarter, with its demand progressively increased. In the first half of 2020, the Group proactively made plans and reasonable layouts, in order to facilitate equipment inspection and maintenance and resumption of operation and production while maintaining good pandemic control and prevention. With the rising production and sales volume, the Group has mitigated the effect of the pandemic to a certain degree and achieved relatively favorable results.

As of 30 June 2020, the Group owned 20 clinker production lines, 59 cement grinder production lines and 8 aggregate production lines, with a total annual production capacity of approximately 28.4 million tonnes of clinker, 56.7 million tonnes of cement and 19.2 million tonnes of aggregate. According to the Action Plan for Transformation and Development of Cement Industry in Henan Province (2018-2020), cement grinding equipment with a diameter of 3 meters or less will be phased out. The Group actively responded to the transformation policy of the cement industry, and proposed to phase out one of the Group's grinding equipment with a diameter of 3 meters located in Linru Town, Ruzhou City. It was announced in the Announcement No. 2 on Elimination of Obsolete Production Capacity in Henan Province issued by the Department of Industry and Information Technology of Henan Province on 31 July 2020 that the elimination of such grinding equipment will be completed by 31 December 2020, and the production capacity is expected to be reduced by 300,000 tonnes.

In the first half of 2020, the sales volume of cement of the Group amounted to 15.8 million tonnes, representing an increase of approximately 1.2 million tonnes or approximately 8.2% year-on-year as compared to approximately 14.6 million tonnes in the same period of 2019. The average price was approximately RMB299.0 per tonne, representing a decrease of RMB52.0 per tonne or 14.8% compared to the same period last year.

In the first half of 2020, the sales volume of aggregate of the Group amounted to approximately 7.4 million tonnes, representing an increase of approximately 5.5 million tonnes or 291.3% as compared to approximately 1.9 million tonnes in the same period of 2019. The average price was approximately RMB46.3 per tonne, representing a decrease of RMB3.6 per tonne or 7.3% compared to the same period last year.

In the first half of 2020, the Group sold approximately 0.7 million tonnes of clinker externally, a decrease of approximately 0.3 million tonnes as compared to approximately 1.0 million tonnes in the same period of 2019. During the period, the clinker we produced was mainly used to meet the Group's internal need of cement production.

In the first half of 2020, the Group recorded a revenue of RMB5,253.7 million, representing a decrease of approximately RMB241.0 million or 4.4% compared to the same period in 2019. The profit attributable to owners of the Company amounted to approximately RMB719.0 million, representing a decrease of approximately RMB168.0 million or approximately 18.9% from approximately RMB887.0 million in the first six months of 2019.

BUSINESS ENVIRONMENT

In the first half of 2020, under the sudden outbreak of COVID-19, China's investment in fixed assets and infrastructure declined by approximately 3.1% and approximately 2.7% year-on-year, respectively. Among which, investment in certain infrastructure achieved positive growth. Investment in real estate development rebounded, recording an increase of approximately 1.9% year-on-year in the first half of the year.

In the first half of 2020, Henan Province's investment in fixed assets (excluding rural households), infrastructure (excluding electricity, heat, gas and water production and supply) and real estate development increased by approximately 2.6%, 0.9% and 2.6% year-on-year, respectively.

In the first half of 2020, Liaoning Province's investment in fixed assets, infrastructure and real estate development decreased by approximately 2.7%, increased by approximately 8.1% and decreased by approximately 0.6% year-on-year, respectively.

The above statistics from the National Bureau of Statistics shows that: (1) PRC's investment in fixed assets decreased year-on-year, but the investment in fixed assets of Henan Province, where the Group located in, increased year-on-year. While Liaoling Province followed the national trend, it experienced a slightly smaller degree of decline; (2) despite PRC's investment in infrastructure decreased year-on-year, the investment in infrastructure of Henan Province, where the Group is located, recorded a slight increase year-on-year, while Liaoning saw a relatively large increase of 8.1% year-on-year; (3) while the investment in real estate development of the PRC and Henan Province, where the Group is located, both experienced a year-on-year increase, the degree of growth for Henan Province is slightly higher than that of the PRC. Liaoning Province, on the other hand, saw a slight year-on-year decrease. In the first half of 2020, the Group mainly operated in Henan Province and Liaoning Province. In particular, their governmental investment in infrastructure were higher than that of the national average, providing corresponding support for the demand of cement market in the area.

CEMENT INDUSTRY

In the first half of 2020, due to the pandemic, cement production and sales within the cement industry came to a near halt. Given the quick rebound of growth rate of investment in infrastructure and real property development, demand for cement and relevant products increased significantly, which drove the recovery of national production and sales of cement and gravel aggregate in each month. In the first half of 2020, the national cement production volume accumulated was approximately 998 million tonnes, representing a decrease of approximately 4.8% year-on-year. The decline rate of the first quarter in the first half of the year decreased by close to approximately 20 percentage points as compared to the previous quarter. Based on the quarterly trend, the first quarter experienced a significant decline, with its national cement production and sales recorded a steep decline of approximately 23.93%, while that of the second quarter sharply rebounded, with cement production achieving a year-on-year increase of approximately 6.9%.

In recent years, following the progressive tightening of environmental requirements and the change of the aggregate market structure, the cement sees opportunities in extending their business to gravel aggregate. Some large cement enterprises, in particular, have speeded up their planning on gravel aggregate production lines. Gravel aggregate, with its high market demand and gross profit margin, is gradually becoming the new profit growth driver of the cement industry, boasting a relatively positive market prospect.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,253.7 million in the first half of 2020, representing a decrease of RMB241.0 million, or 4.4%, from approximately RMB5,494.7 million in the same period of 2019.

Among others, the revenue from cement sales was approximately RMB4,736.7 million, representing a decrease of 7.8% compared to RMB5,138.8 million in the same period of 2019. The sales volume of cement increased by 1.2 million tonnes or 8.2%, from approximately 14.6 million tonnes in the first half of 2019 to approximately 15.8 million tonnes in the same period of 2020. The decrease in revenue was mainly attributable to the decrease in the selling price of cement.

Revenue from our sales of aggregate amounted to approximately RMB341.0 million, representing an increase in RMB247.4 million, or 262.8%, from approximately RMB94.2 million in the same period of 2019. The sales volume of aggregate amounted to approximately 7.4 million tonnes, representing an increase of approximately 5.5 million tonnes or 291.3% as compared to approximately 1.9 million tonnes in the same period of 2019. The increase in revenue was mainly attributable to the increase in the sales volume of aggregate due to the completion and commencement of operation of the new aggregate production line.

Clinker is a semi-finished product for the production of cement. The clinkers produced in the first half of 2020 were primarily used to satisfy the internal demand for cement production. Only approximately 0.7 million tonnes of the Group's clinkers were sold externally. Approximately RMB175.4 million of revenue generated from clinker sales was recorded in the first half of 2020, representing a decrease of RMB86.3 million, or 33.0%, from approximately RMB261.7 million in the same period of 2019. The revenue decrease was mainly due to the decrease in the selling price and sales volume of clinker.

In the first half of 2020, the Group's sales revenue from the central China region amounted to approximately RMB4,082.5 million, representing a decrease of RMB325.3 million or 7.4% compared to approximately RMB4,407.8 million in the same period of 2019. The Group's sales revenue from the Northeastern region of China amounted to approximately RMB1,171.2 million, representing an increase of RMB84.4 million or 7.8% compared to approximately RMB1,086.8 million in the same period of 2019.

Revenue from sales of cement was approximately 90.2% and 93.5% of the total revenue in the first half of 2020 and the first half of 2019, respectively. Revenue from sales of clinker was approximately 3.3% and 4.8% of the total revenue in the first half of 2020 and the first half of 2019, respectively. In the first half of 2020 and the first half of 2019, revenue from sales of aggregate was approximately 6.5% and 1.7% of the total revenue.

Cost of Sales

In the first half of 2020, we continued our efforts in further decreasing energy consumption and the price of rough coal on the unit production costs of cement and clinker by leveraging economies of scale and through centralized procurement. During the Reporting Period, our cost of sales was approximately RMB3,518.0 million, a year-on-year decrease of RMB143.5 million or 3.9% over the first half of 2019, mainly due to the decrease in procurement price of rough coal and some of the raw materials.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2020, our costs of raw materials, coal and electricity as a percentage of cost of sales were 42.3% (2019: 37.2%), 31.2% (2019: 37.3%) and 14.4% (2019: 13.6%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity for the production of cement per tonne were RMB89.9 (2019: RMB87.1), RMB66.3 (2019: RMB87.5) and RMB30.6 (2019: RMB32.0) respectively, representing increase of RMB2.8, decrease of RMB21.2 and decrease of RMB1.4 respectively over the same period of 2019.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB1,735.6 million in the first half of 2020, representing a decrease of RMB97.6 million or 5.3% from approximately RMB1,833.2 million in the same period of last year. Our gross profit margin of 33.0% in the first half of 2020 was stable as compared to 33.4% in the same period of 2019. The primary reason for the decrease of gross profit was that the impact of decrease of cement price outweighed the increase in sales volume and the decrease of costs for the first half of 2020.

In the first half of 2020, the Group's segment profit from the central China region amounted to approximately RMB932.7 million, representing a decrease of RMB226.6 million or 19.5% compared to approximately RMB1,159.3 million in the same period of 2019. The decrease was due to the decrease in the selling prices of cement of that particular region. The Group's segment profit from the Northeastern region amounted to approximately RMB88.3 million, representing a decrease of RMB4.9 million or 5.3% compared to a segment profit of approximately RMB93.2 million in the same period of 2019, mainly due to the increase in transportation expenses in the Northeastern region.

Other income

Other income was approximately RMB296.5 million in the first half of 2020, representing a decrease of RMB9.2 million or 3.0% from approximately RMB305.7 million in the same period of 2019. The decrease was primarily due to the decrease in value-added tax refund.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB171.4 million in the first half of 2020, representing an increase of RMB16.4 million or 10.6% from approximately RMB155.0 million in the first half of 2019, mainly due to the increase in sales volume of cement.

Administrative Expenses

Our administrative expenses were approximately RMB202.1 million in the half year ended 30 June 2020, representing an increase of RMB29.7 million or 17.3% from approximately RMB172.4 million in the half year ended 30 June 2019, which was mainly attributable to the increase of relevant expenses as a result of the implementation of " Green Mines" project.

Research and Development Expenses

Our research and development expenses were approximately RMB71.5 million in the six months ended 30 June 2020 (six months ended 30 June 2019: nil), which was mainly due to the Company's investment in the research and development of new technologies, new processes and new products in the first half of 2020.

Finance Costs

Finance costs were approximately RMB565.7 million in the first half of 2020, which remained stable as compared with RMB563.2 million in the first half of 2019.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB1,012.5 million in the first half of 2020, representing a decrease of approximately RMB231.4 million or approximately 18.6% from approximately RMB1,243.9 million in the first half of 2019.

Income Tax Expenses

Our income tax expenses were approximately RMB240.3 million in the first half of 2020, representing a decrease of RMB77.3 million or 24.4% from approximately RMB317.6 million in the first half of 2019, which was mainly due to the decrease in profit before tax.

Profit Attributable to Owners of the Company and Net Profit Margin

As a result of the foregoing, our profit attributable to owners of the Company in the first six months of 2020 was approximately RMB719.0 million, representing a decrease of RMB168.0 million or 18.9% from approximately RMB887.0 million in the first six months of 2019. Net profit margin was 13.7% in the first six months of 2020, representing a decrease of 2.4 percentage points from the same period of 2019.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB7,305.6 million as at 31 December 2019 to RMB5,858.9 million as at 30 June 2020, mainly due to the recovery of cash from bills receivables matured in the end of the previous period.

Inventories

Inventories increased from RMB1,061.3 million as at 31 December 2019 to RMB1,405.0 million as at 30 June 2020, mainly due to the increase in sales volume resulting in the increase in inventory of raw materials and finished products.

Amounts due from an associate

The amounts due from an associate of approximately RMB1,029.9 million as at 30 June 2020 (2019: approximately RMB1,037.3 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in the coming years under the Clinker Supply Framework Agreement.

Cash and Cash Equivalents

Cash and bank balance increased from RMB1,828.8 million as at 31 December 2019 to RMB1,955.4 million as at 30 June 2020, primarily due to the effect of cash from operation activities, net of cash outflow from investing activities and financing activities.

Trade and other payables

Trade and other payables decreased from RMB4,499.8 million as at 31 December 2019 to RMB4,199.9 million as at 30 June 2020, mainly due to the decrease in construction costs payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB11,008.8 million as at 30 June 2020, a decrease of approximately RMB1,306.3 million from RMB12,315.1 million as at 31 December 2019. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB6,702.4 million as at 31 December 2019 to RMB6,950.4 million as at 30 June 2020. Borrowings due after one year (including long-term bonds and corporate bonds) decreased from RMB5,612.7 million as at 31 December 2019 to RMB4,058.4 million as at 30 June 2020, representing a decrease of approximately 27.7%.

The Group has been repaying the debts as scheduled in accordance with the terms of the relevant loan agreements. As at 30 June 2020, we had unutilized banking facilities of approximately RMB639.9 million (31 December 2019: approximately RMB576.1 million).

Principal Sources of Liquidity

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

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

As at 30 June 2020, our gearing ratio was 55.6%, representing a decrease of 4.3 percentage points from 59.9% as at 31 December 2019. As at 30 June 2020, our current ratio was 1.2, representing an increase of 1.3% from 1.2 as at 31 December 2019; our quick ratio was 1.1, representing a decrease of 1.7% from 1.1 as at 31 December 2019; our debt equity ratio was 1.3, representing a decrease of 0.2 or 16.1% from 1.5 as at 31 December 2019.

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 interests, of which equity interests include minority interests or non-controlling interests

NET GEARING RATIO

As at 30 June 2020, our net gearing ratio was 38.2%, representing a decrease of 13.8 percentage points from 52.0% as at 31 December 2019. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure during the first half of 2020 was approximately RMB333.0 million (for the first half of 2019: approximately RMB199.3 million) and capital commitment as at 30 June 2020 was approximately RMB298.2 million (as at 31 December 2019: approximately RMB419.2 million). Both capital expenditure and capital commitment were mainly related to the construction of production facilities for cement and aggregate businesses and the purchase of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure by cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2020, the carrying amount of assets of the Group pledged to secure bank borrowings amounted to approximately RMB3,794.2 million (as at 31 December 2019: approximately RMB4,079.3 million).

CONTINGENT LIABILITIES

As at 30 June 2020, other than the contingent liabilities arising from the provision of guarantee to connected parties amounting to approximately RMB1,918.7 million (31 December 2019: RMB1,581.6 million), we did not have other contingent liabilities. The guarantees provided to the connected party have been provided pursuant to Tianrui Cement Guarantees according to the 2019 Framework Agreement Provision of Mutual Guarantees, details of which were set out in the circular dated 5 December 2019.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

During the Reporting Period, the Group has not involved in any significant investment, acquisition or disposal.

MATERIAL LITIGATION

During the Reporting Period, the Group was not involved in any material litigation or arbitration. To the best of the Directors' knowledge and belief, there was no outstanding or pending litigation or claim of material importance against the Group.

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

Save and except the facilities obtained by the Group as disclosed in the announcements of the Company dated 13 August 2020 and 25 August 2020, there is no important event affecting the Group since the end of the Reporting Period.

MARKET RISKS

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 hedging material currency exposure if necessary.

Interest Rate Risk

The Group is exposed to interest rate risk resulting from our long-term and short-term borrowings. The Group reviews our borrowing profiles regularly to monitor our interest rate risk, and will consider hedging significant interest rate exposure when necessary. As the Group's exposure to interest rate risk relates primarily to our interest-bearing bank loans, we keep our borrowings at variable rates and seek to minimize fair value interest rate risk, and to manage our interest rate risk exposure from all of our interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 7,633 employees (as at 30 June 2019: 7,559). As at 30 June 2020, staff costs (including remuneration) was approximately RMB234.4 million (for the same period of 2019: approximately RMB232.9 million). The remuneration policies, bonus and training programs for employees of the Group were implemented on an ongoing basis.

PROSPECTS

In the second half of 2020, the PRC's economy still faces various pressures, such as the risk for local and foreign rebound of COVID-19 and the increasingly grim and complicated international economic climate. In response to the perilous situation, the PRC government timely implements the "new infrastructure, new urbanization initiatives and major projects (兩新一重)"construction initiatives, where construction of new infrastructure, new urbanization initiatives and major projects such as transportation and water are accelerated, providing a focal point for the country's "stability in six areas" and "six priorities" policies under the new circumstances and an important support in face of the impact of COVID-19 on the economy. Recently, the central government of the PRC announced the goal to "speed up the building of a complete domestic demand system, in order to form a new development landscape with domestic circulation as main body and mutual promotion of local and foreign circulation (「加快構建完整的內需體系，逐步形成以國內大循環為主體、國內國際雙循環相互促進的新發展格局」)". This offers a definite direction for PRC's economic development, transformation and upgrade. The above measures provide favorable support to cement demand. Optimization for the industry such as de-capacity, peak-shifting production halts, environmental management and differentiation management will continue. In central China and Northeastern region where the Group is located, the government announces investment and development plans amounted to trillions of RMB in order to stimulate the economy. The Company will utilize its regional advantage and local and foreign cooperation to strengthen its internal operation control and management and facilitate its aggregated business development, with an aim to mitigate the effect of the pandemic and external business on our operating revenue and gross profit margin and maintain our regional competitive advantage.

CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

Corporate Governance

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

During the Reporting Period, the Company had been applying the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "**Listing Rules**") as its own code to regulate its corporate governance practice. Other than those disclosed in this section below, the Company had been in compliance with all code provisions set out in the Corporate Governance Code during the Reporting Period.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to the moment. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an executive committee (the "**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 to be concentrated in one person.

COMPLIANCE WITH MODEL CODE BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors of the Company did not recommend the declaration of any interim dividend for the Reporting Period (30 June 2019: Nil).

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Board of the Company has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2020. The financial information in the condensed consolidated financial statements of the interim results have not been audited or reviewed by the auditors of the Company.

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

Hong Kong, 31 August 2020

As at the date of this announcement, the Board consists of:

Chairman and Non-executive Director
Mr. Li Liufa

Executive Directors
Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming

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