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 2021

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2021	2020	Percentage
	RMB'000	*RMB'000*	of Change
Revenue	**5,732,761**	5,253,673	+9.1%
Gross profit	**1,753,881**	1,735,625	+1.1%
Profit	**795,010**	772,239	+2.9%
Of which: Profit attributable to owners of the Company	**751,571**	718,959	+4.5%
Basic earnings per share *(RMB)*	**0.26**	0.24	+4.5%

	As at 30 June 2021	As at 31 December 2020	Percentage of Change
	RMB'000	*RMB'000*	
Total assets	**31,604,499**	32,439,501	−2.6%
Of which: Current assets	**15,556,914**	15,981,644	−2.7%
Total liabilities	**15,986,591**	17,616,603	−9.3%
Of which: Current liabilities	**10,942,005**	13,426,148	−18.5%
Total equity	**15,617,908**	14,822,898	+5.4%
Of which: Equity attributable to owners of the Company	**15,445,621**	14,694,050	+5.1%

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 2021 (the "**Reporting Period**"), together with the comparative figures for the six-month period ended 30 June 2020, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2021

		For the six months ended 30 June	
		2021	2020
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**5,732,761**	5,253,673
Cost of sales		**(3,978,880)**	(3,518,048)
Gross profit		**1,753,881**	1,735,625
Other income	6	**335,395**	296,508
Other gains and losses	7	**21,177**	(29,638)
Share of profit of associates		**30,960**	40,743
Selling and distribution expenses		**(200,391)**	(171,427)
Administrative expenses		**(425,244)**	(273,583)
Other expenses		**(22,124)**	(20,034)
Finance costs	8	**(505,829)**	(565,672)
Profit before tax		**987,825**	1,012,522
Income tax expense	9	**(192,815)**	(240,283)
Profit and total comprehensive income for the period	10	**795,010**	772,239
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**751,571**	718,959
Non-controlling interests		**43,439**	53,280
		795,010	772,239
Earnings per share			
Basic *(RMB)*	11	**0.26**	0.24

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
At 30 June 2021

	Notes	**As at 30 June 2021** *RMB'000* **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**10,195,991**	10,572,135
Long-term deposits		**650,368**	682,778
Right-of-use assets		**881,437**	892,434
Mining rights		**1,397,585**	1,408,155
Goodwill		**294,014**	294,014
Interests in associates		**1,097,477**	1,076,289
Derivative financial instruments		**1,246**	1,246
Deferred tax assets		**156,274**	156,836
Pledged bank balances		**108,148**	108,148
Amounts due from associates		**414,654**	415,431
Other prepayments		**850,391**	850,391
		16,047,585	16,457,857
CURRENT ASSETS			
Inventories		**968,010**	1,039,363
Trade and other receivables	13	**6,370,994**	8,080,329
Amounts due from an associate		**753,223**	904,000
Financial assets at far value through profit or loss		**2,408**	2,408
Pledged bank balances		**5,183,721**	3,543,429
Cash, deposits and bank balances		**2,278,558**	2,412,115
		15,556,914	15,981,644
CURRENT LIABILITIES			
Trade and other payables	14	**4,727,949**	4,715,714
Contract liabilities		**339,562**	368,242
Other financial liabilities		**352,615**	464,859
Loan from an associate — due within one year		**550,000**	1,200,000
Long-term corporate bonds — due within one year		**—**	2,136,291
Lease liabilities — due within one year		**18,837**	24,996
Borrowings — due within one year		**4,400,051**	3,978,711
Current tax liabilities		**542,681**	525,694
Financial guarantee contracts		**10,310**	11,641
		10,942,005	13,426,148
NET CURRENT ASSETS		**4,614,909**	2,555,496
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,662,494**	19,013,353

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**15,421,438**	14,669,867
Equity attributable to owners of the Company		**15,445,621**	14,694,050
Non-controlling interests		**172,287**	128,848
TOTAL EQUITY		**15,617,908**	14,822,898
NON-CURRENT LIABILITIES			
Loan from an associate — due after one year		**450,000**	—
Borrowings — due after one year		**2,195,928**	1,714,083
Guaranteed notes		**904,414**	897,714
Long-term corporate bonds		**65,734**	66,490
Other financial liabilities		**715,618**	766,386
Lease liabilities — due after one year		**18,736**	18,736
Deferred tax liabilities		**175,694**	176,176
Deferred income		**136,090**	140,379
Provision for environmental restoration		**37,357**	39,216
Other long-term payable		**345,015**	371,275
		5,044,586	4,190,455
		20,662,494	19,013,353

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 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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group's annual consolidated financial statements for the year ended December 31, 2020.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards ("IFRSs") which are mandatorily effective for the current interim period:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures in these condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2021	For the six months ended 30 June 2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**5,086,101**	4,736,692
Sales of clinker	**191,995**	175,412
Sales of limestone aggregate	**454,665**	341,569
	5,732,761	5,253,673
Revenue recognition at a point in time	**5,732,761**	5,253,673

The Group sells cement, clinker and limestone 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 segments:

	Segment revenue For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**4,408,573**	4,082,481	**841,638**	932,743
Northeastern China	**1,324,188**	1,171,192	**157,786**	88,319
Total	**5,732,761**	5,253,673	**999,424**	1,021,062
Unallocated corporate administrative expenses			**(11,599)**	(8,540)
Profit before tax			**987,825**	1,012,522

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 external customers. There are no inter-segment sales.

6. OTHER INCOME

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**140,491**	151,472
Incentive subsidies	**2,515**	19,756
Interest on bank deposits	**36,915**	27,090
Rental income	**13,339**	6,806
Reversal of deferred income	**746**	746
Other profit, net	**123,452**	82,148
Software service income	**15,935**	5,775
Others	**2,002**	2,715
	335,395	296,508

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gain/(loss), net	**20,719**	(30,101)
Gain on disposal of property, plant and equipment, net	**458**	463
	21,177	(29,638)

8. FINANCE COSTS

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	**302,514**	326,683
Bills discounted with recourse	**146,186**	106,824
Guaranteed notes	**53,963**	59,137
Long-term corporate bonds	**2,124**	75,864
Lease liabilities	**1,513**	1,347
	506,300	569,855
Less: amounts capitalized	**(471)**	(4,183)
	505,829	565,672

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 6.54% per annum (2020: 7.13% per annum) for the period ended 30 June 2021.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
— current interim period	**199,069**	269,310
— overprovision in prior years	**(6,334)**	(25,031)
	192,735	244,279
Deferred tax	**80**	(3,996)
	192,815	240,283

Some subsidiaries of the Group operating in the PRC are eligible for preferential tax rate of 15% under relevant preferential tax policy for high-technology enterprises starting from financial year 2020 for a period of 3 years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2020: 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	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**400,886**	400,059
Amortization of right-of-use assets	**20,366**	15,884
Amortization of mining rights, included in cost of sales	**10,570**	10,040
Total depreciation and amortization, in aggregate	**431,822**	425,983
Cost of inventories recognized as an expense	**3,978,880**	3,518,048
Staff costs including retirement benefit	**269,907**	234,366

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	
	2021	2020
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**751,571**	718,959
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	**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 2021 *RMB'000* (unaudited)	As at 31 December 2020 *RMB'000* (audited)
Trade receivables	**642,635**	214,788
Less: allowance for bad debts losses	**(59,919)**	(59,919)
	582,716	154,869
Bills receivables	**1,923,962**	3,762,867
Other receivables	**3,864,316**	4,162,593
	6,370,994	8,080,329

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 2021 *RMB'000* (unaudited)	As at 31 December 2020 *RMB'000* (audited)
Within 90 days	**509,779**	144,540
91–180 days	**65,730**	3,993
181–360 days	**4,473**	6,209
1 year to 2 years	**2,734**	127
Total	**582,716**	154,869

14. TRADE AND OTHER PAYABLES

	As at 30 June 2021 ***RMB'000*** **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Trade payables	**796,458**	867,343
Bills payables	**3,518,515**	3,170,900
Other payables and accrued expenses	**412,976**	677,471
	4,727,949	4,715,714

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 2021 ***RMB'000*** **(unaudited)**	As at 31 December 2020 *RMB'000* (audited)
Within 1–90 days	**447,854**	418,228
91–180 days	**84,464**	156,686
181–365 days	**91,756**	97,253
Over 1 year	**172,384**	195,176
Total	**796,458**	867,343

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

During the first half of 2021, Chinese Government carried out coordination works on the prevention and control of the pandemic and the economic and social development, it performed works on "stability in six areas" sturdily and fully implemented the mission on "six priorities", leading to a significant recovery in economy. The more favourable situation in the cement industry experienced in the fourth quarter of last year extended into the first four months this year, and there was a strong demand in the cement market, as a consequence the price stayed at a high level and recorded a trend of continuous increase. However, there was an evident cool down in market sentiment since the latter part of May this year, leading to a change in both demand and supply, with a fierce competition between enterprises in different regions, a downward trend for the overall market price is observed, higher magnitude of decrease are observed in several regions. In the first half of 2021, the Group proactively made plans and reasonable layouts, we leveraged the favourable market situation between January and April to optimize the balance between quantity and price, prompting increases in both sales volume and sales price. We adjusted the market strategy actively during May and June in accordance to the changes in market situation, and made effort on price stabilization and quantity enhancement, thus achieved a relatively favorable overall results during the first half of the year.

As of 30 June 2021, the Group possesses clinker production capacity of 28.4 million tonnes, cement production capacity of 56.4 million tonnes and production capacity of limestone aggregate of 19.2 million tonnes.

In the first half of 2021, the sales volume of cement of the Group amounted to 17.5 million tonnes, representing an increase of approximately 1.7 million tonnes or approximately 10.6% year-on-year as compared to approximately 15.8 million tonnes in the same period of 2020. The average price was approximately RMB290.4 per tonne, representing a decrease of RMB8.6 per tonne or 2.9% compared to the same period last year.

In the first half of 2021, the sales volume of limestone aggregate of the Group amounted to approximately 8.6 million tonnes, representing an increase of approximately 1.2 million tonnes or 15.9% as compared to approximately 7.4 million tonnes in the same period of 2020. The average price was approximately RMB53.1 per tonne, representing an increase of RMB6.8 per tonne or 14.8% compared to the same period last year.

In the first half of 2021, the Group sold approximately 0.7 million tonnes of clinker externally, same as the quantity of 0.7 million tonnes sold in the same period of 2020. 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 2021, the Group recorded a revenue of RMB5,732.8 million, representing an increase of approximately RMB479.1 million or 9.1% compared to the same period in 2020. The profit attributable to owners of the Company amounted to approximately RMB751.6 million, representing an increase of approximately RMB32.6 million or approximately 4.5% from approximately RMB719.0 million in the same period of 2020.

BUSINESS ENVIRONMENT

The fixed assets investment of PRC (excluding rural household) in the first half of 2021 was RMB25.59 trillion, representing a year-on-year increase of 12.6%, and have increased by 9.1% when compared with the statistics for the first half of 2019. Investment in infrastructure (excluding electricity, heat, gas and water production and supply) recorded a year-on-year increase of 7.8%, among which, the investment in administration of water conservancy, investment in the administration of public facility, investment in road transportation and investment in rail transportation industry increased by 10.7%, 6.2%, 6.5% and 0.4% respectively. From a regional perspective, the investment in Eastern China recorded a year-on-year increase of 11.2%, while the investments in Central China, Western China and Northeastern China increased by 22.3%, 11.4% and 11.8% respectively. The investment in real estate development for China was RMB7.2179 trillion, a year-on-year increase of 15.0%, and increased by 17.2% when compare with the first half of 2019 (source: National Bureau of Statistics).

In the first half of 2021, Henan Province's investment in fixed assets recorded a year-on-year increase of 7.8%. Its investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 9.6%, which is 1.8 percentage points higher than the growth in the investments of fixed assets. Among which, the investments in the administration of water conservancy, environment and public facility (excluding land management industry) achieved a year-on-year increase of 4.8%, while the investments in transportation and postal services increased by 19.4%. The investment in real estate development for Henan Province increased by 11.5%, and is 3.7 percentage points higher than the growth in investments of fixed assets (source: Henan Province Bureau of Statistics).

In the first half of 2021, Liaoning Province's investment in fixed assets achieved a year-on-year increase of 8.6%. The year-on-year increase for infrastructure investment is 16.5%, among which the increase in investments for road transportation and administration of public facilities are 61.4% and 17.9% respectively. The growth in the investment in real estate development in Liaoning Province is 8.4% (source: Liaoning Province Bureau of Statistics).

The above data from the different bureaus of statistics of China show that in the first half of 2021, when focusing on the investments in infrastructure which has a higher correlation with the demand for cement, the increase in investments in infrastructure nationwide records a year-on-year increase of 7.8%, while for Henan Province and Liaoning Province, which are the principal places of business of the Group, the investment in real estate development and the growth in investments in infrastructure nationwide are lower than the national average level, while the growth in infrastructure is higher than the national average. The high growth in regional infrastructure investment provides a strong support to the demand in the cement market of the region.

CEMENT INDUSTRY

The national production volume of cement reached a historical high during the first half of 2021 at 1.147 billion tonnes, with a year-on-year increase of 14%. The average increase is approximately 4.2% for the last two years, while the national aggregate production volume of cement maintains a relatively stable growth. On the front of monthly movement, the national measures for growth stabilization continued to have a favourable effect to the demand of cement between January and April, the advocacy from government on celebrating the Chinese new year by staying at the current place of residence has an effect on faster resumption of market after the Chinese new year, together with the low base number from the same period last year, the national monthly and aggregate production volumes of cement recorded a high growth of 30%. However, since May, the continuous severe precipitation and the slowdown in progress of some projects due to the increase in the price of commodities led to a retreat in demand earlier than previous years, with the effect of the base number from last year, the production volume of cement recorded a negative year-on-year increases for consecutive two months in May and June at −3.17% and −2.93% respectively. The growth in national aggregate production volume of cement has decreased progressively to 14%.

During the first half of the year, the national market price of cement experienced a general wide fluctuation at high level, during the initial stage the price maintains at a high level and the trend of continuous increase exists, and the market price reaches its height in recent years. However, at later stage there is a greater downward adjustment in the price. Although from a historical perspective the overall average price is still at a relatively reasonable level, with a substantial increase in the price of raw materials (such as coal) during the year as a backdrop, the interim decrease in the profit of cement industry and enterprise has been more evident.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,732.8 million in the first half of 2021, representing an increase of RMB479.1 million, or an increase of 9.1%, from approximately RMB5,253.7 million in the same period of 2020.

Among others, the revenue from cement sales was approximately RMB5,086.1 million, representing an increase of 7.4%, as compared with approximately RMB4,736.7 million in the same period of 2020. Our sales volume of cement increased by 1.7 million tonnes or 10.6%, from approximately 15.8 million tonnes in the first half of 2020 to approximately 17.5 million tonnes in the first half of 2021. The increase in revenue was mainly due to the growth in sales volume of cement.

Revenue from our sales of limestone aggregate amounted to approximately RMB454.7 million, representing an increase in RMB113.1 million, or 33.1%, from approximately RMB341.6 million in the same period of 2020. The sales volume of aggregate amounted to approximately 8.6 million tonnes, representing an increase of approximately 1.2 million tonnes or 15.9% as compared to approximately 7.4 million tonnes in the same period of 2020. The increase in revenue was mainly attributable to the increase in both sales volume and sales price of aggregate.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in the first half of 2021 were primarily used to satisfy the internal demand for clinker in our cement production. Only approximately 0.7 million tonnes of the Group's clinkers were sold externally. Approximately RMB192.0 million of revenue generated from our clinker sales was recorded in the first half of 2021, representing an increase of RMB16.6 million, or 9.5%, from approximately RMB175.4 million in the same period of 2020. The increase in revenue was mainly due to the increase in the prices of clinkers.

In the first half of 2021, the Group's sales revenue from the Central China region amounted to approximately RMB4,408.6 million, representing an increase of RMB326.1 million or 8.0% compared to approximately RMB4,082.5 million in the same period of 2020. The Group's sales revenue from the Northeastern China region amounted to approximately RMB1,324.2 million, representing an increase of RMB153.0 million or 13.1% compared to approximately RMB1,171.2 million in the same period of 2020.

In the first half of 2021, revenue from our sales of cement, clinker and limestone aggregate accounted for approximately 88.7% (same period of 2020: 90.2%), 3.3% (same period of 2020: 3.3%) and 8.0% (same period of 2020: 6.5%) of the total revenue, respectively.

Cost of Sales

There is a continuous increase in the price of rough coal during the first half of 2021. We minimize the effect of the increase in the prices of rough coal and other raw materials on the unit production costs of cement and clinker by leveraging our economies of scale and through centralized procurement. Our cost of sales was approximately RMB3,978.9 million during the Reporting Period, representing an increase of RMB460.9 million, or 13.1% as compared with the first half of 2020. The increase was primarily due to increase in the purchasing prices of rough coal and certain raw materials.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In the first half of 2021, our costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 40.5% (first half of 2020: 43.3%), 35.4% (first half of 2020: 29.6%) and 12.5% (first half of 2020: 14.3%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity consumed for one tonne of product produced were approximately RMB60.2 (first half of 2020: RMB63.6), RMB52.6 (first half of 2020: RMB43.5) and RMB18.6 (first half of 2020: RMB21.0), respectively, representing a decrease of RMB3.5, an increase of RMB9.1 and a decrease of RMB2.5, respectively, as compared with the same period of 2020.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB1,753.9 million in the first half of 2021, representing an increase of RMB18.3 million, or 1.1%, from approximately RMB1,735.6 million in the same period of last year. The gross profit margin decreases to 30.6% in the first half of 2021, as compared to 33.0% in the same period of 2020. The decrease in gross profit margin was primarily due to decrease in the price of cement in the first half of 2021.

In the first half of 2021, the Group's segment profit from the Central China Region amounted to approximately RMB841.6 million, representing a decrease of approximately RMB91.1 million or 9.8% compared to approximately RMB932.7 million in the same period of 2020. The decrease was due to the decrease in the selling price of cement in the region. The Group's segment profit from the Northeastern region amounted to approximately RMB157.8 million, representing an increase of RMB69.5 million or 78.7% compared to a segment profit of approximately RMB88.3 million in the same period of 2020. The increase in segment profit was mainly attributable to the increase in sales volume and sale price of cement in the Northeastern region.

Other income

Other income was approximately RMB335.4 million for the first half of 2021, representing an increase of RMB38.9 million, or 13.1%, from approximately RMB296.5 million for the same period of 2020. The increase was primarily due to the increase in interest income on bank deposits, software income and revenue from sales of materials under other net profit.

Selling and Distribution Expenses

In the first half of 2021, selling and distribution expenses were approximately RMB200.4 million, representing an increase of RMB29.0 million or 16.9% as compared to approximately RMB171.4 million for the same period of 2020. This was mainly due to the increase in sales volume of cement which has led to an increase in transportation cost and packaging cost.

Administrative Expenses

Administrative expenses were approximately RMB425.2 million for the first half of 2021, representing an increase of RMB151.6 million, or an increase of 55.4%, from approximately RMB273.6 million for the same period of 2020. The increase in administrative expenses was mainly due to the inclusion of research and development expenses and the increase of relevant expenses as a result of the implementation of "Green Mines" project.

Finance Costs

Finance costs were approximately RMB505.8 million for the first half of 2021, representing a decrease of RMB59.9 million, or a decrease of 10.6%, from approximately RMB565.7 million for the first half of 2020. The decrease was primarily attributable to the decrease in the borrowings and bonds progressively.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB987.8 million for the first half of 2021, representing a decrease of approximately RMB24.7 million, or approximately 2.4%, from approximately RMB1,012.5 million for the same period of 2020.

Income Tax Expenses

Income tax expenses were approximately RMB192.8 million for the first half of 2021, representing a decrease of RMB47.5 million, or 19.8% from approximately RMB240.3 million for the same period of 2020. The main reasons behind such change were that there was a reduction of the EIT rate to 15.0% for nine of our subsidiaries after they were recognised as Enterprises of High and New Technology, and a decrease in profit before tax during the Reporting Period.

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 first half of 2021 was approximately RMB751.6 million, representing an increase of RMB32.6 million, or 4.5%, from approximately RMB719.0 million for the same period of 2020. The net profit margin for the first half of 2021 was 13.1%, representing a decrease of 0.6 percentage point as compare with the same period of 2020.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables decreased from RMB8,080.3 million as at 31 December 2020 to RMB6,371.0 million as at 30 June 2021, mainly due to the decrease in the recovery of cash from bills receivables matured in the end of the previous period.

Inventories

Inventories decreased from approximately RMB1,039.4 million as at 31 December 2020 to approximately RMB968.0 million as at 30 June 2021, primarily due to the decrease in the inventory amount.

Amount due from associates

The amounts due from associates of approximately RMB1,167.9 million as of 30 June 2021 (31 December 2020: approximately RMB1,319.4 million) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited for the clinker purchased under the Clinker Supply Framework Agreement as set out in the circular dated 31 October 2019, and shareholder loan due from an associate, China United Cement Xinan Wanji Co., Ltd. which is indirectly held as to 49% by the Company.

Loan from an associate

The loan from an associate in the amount of RMB1,000 million represents the loan provided by Tianrui Finance to the Group pursuant to the 2019 Financial Services Agreement, details of which are set out in the circular dated 5 December 2019.

Cash and Cash Equivalents

Cash and bank balance decreased from RMB2,412.1 million as at 31 December 2020 to RMB2,278.6 million as at 30 June 2021, 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 increased from RMB4,715.7 million as at 31 December 2020 to RMB4,727.9 million as at 30 June 2021, mainly due to the changes in the balance of bills payables and payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB9,634.4 million as at 30 June 2021, a decrease of approximately RMB1,590.1 million from RMB11,224.5 million as at 31 December 2020. Borrowings due within one year, corporate bonds and other financial liabilities (including bonds due within one year) decreased from RMB7,779.9 million as at 31 December 2020 to RMB5,302.7 million as at 30 June 2021. Borrowings due after one year, guaranteed mid-term notes, long-term corporate bonds and other financial liabilities increased from RMB3,444.7 million as at 31 December 2020 to RMB4,331.7 million as at 30 June 2021, representing an increase of approximately 25.8%.

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 will continue to be the principal purposes for our 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.

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

As at 30 June 2021, our gearing ratio was 50.6%, representing a decrease of 3.7 percentage points from 54.3% as at 31 December 2020. The change of gearing ratio was due to the increase in equity of the owners.

As at 30 June 2021, our current ratio was 1.4, representing an increase of 19.4% from 1.2 as at 31 December 2020; our quick ratio was 1.3, representing an increase of 19.8% from 1.1 as at 31 December 2020.

As at 30 June 2021, our debt equity ratio was 1.0, representing a decrease of 0.2 or 13.9% from 1.2 as at 31 December 2020.

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 or non-controlling interest

NET GEARING RATIO

As at 30 June 2021, the net gearing ratio was approximately 14.1%, representing a decrease of 21.8 percentage points from 35.9% as at 31 December 2020. 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 first half of 2021 was approximately RMB136.3 million (first half of 2020: approximately RMB333.0 million) and capital commitments as at 30 June 2021 was approximately RMB207.3 million (as at 31 December 2020: approximately RMB295.4 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 30 June 2021, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,079.0 million (as at 31 December 2020: approximately RMB4,252.6 million).

FINANCIAL GUARANTEES

As at 30 June 2021, we have provided approximately RMB1,657.8 million (as at 31 December 2020: approximately RMB2,093.5 million) of authorized financial guarantees to related parties, among which approximately RMB1,227.0 million (as at 31 December 2020: approximately RMB1,386.4 million) have been utilized. We did not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees (as defined in the circular of the Company dated 5 December 2019) according to the 2019 Framework Agreement in relation to provision of mutual guarantees, the details of which are set out in the circular of the Company 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

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 hedging policy on foreign currency in relation to foreign currency exposure. However, the management will closely monitor risks associated to HK$ and US$ and will consider to hedge material currency exposure if necessary.

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.

Employees and Remuneration Policy

As at 30 June 2021, the Group had 7,434 employees (as at 30 June 2020: 7,633). As at 30 June 2021, the employees' cost (including remuneration) was approximately RMB269.9 million (first half of 2020: approximately RMB234.4 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

The economy of China still faces the downward pressure during the second half of 2021. In July, heavy rain hits places like Henan which leads to a severe flooding, and the situation of pandemic prevention and control becomes tense as the coronavirus pandemic emerges in several places in China. Since Chinese government possesses extensive experience in the prevention and control of pandemic, we believe the pandemic will be effectively under control as soon as practicable. It is expected that Chinese government may further enhance the construction of infrastructure in order to address the impacts of flooding and coronavirus pandemic on economy and to implement works on "stability in six areas" and "six priorities", among which, the investments in important water conservancy project, urban drainage facilities and urban transportation facilities will specially support and stimulate the demand for cement.

According to the analysis from China Cement Association, from the perspective of development of policy, the new policy of capacity replacement promulgated by Ministry of Industry and Information Technology has increased the replacement ratio substantively. The ratio increased from 1:1.5 to 1:2 for key air pollution control regions, while the ratio for non-key air pollution control regions has been adjusted from 1:1.25 to 1:1.5, and a stricter requirement on limit is imposed for the replacement indicator. Such measure will have an important effect on further reduction in production capacity at the later stage, which will be beneficial to solve the problem of overcapacity and realizing the "dual-carbon" goal. In the meantime, the industry regards the reduction in pollution and carbon as the focus following the normalized peak shifting production arrangements, it promotes the high quality of green and low carbon development for enterprises, and at the same time a binding indicator on carbon quota is expected to be established, thus inevitably there will be constraints to the demand and supply of cement. This will beneficial to mitigate the contradiction between demand and supply of the industry, and to promote the structural adjustment on the supply side and a more positive development to the industry.

According to the prediction from China Cement Association, the annual domestic production volume of cement in the second half of the year is generally unchanged when compare to the one from last year, while there is no change to the characteristic which demand remains in a flat period. Starting from July, the month-on-month production volume will return to the positive growth, however, the year-on-year production volume may remain weak. The domestic cement price shows a downward trend since July due to the severe participation, and the price is lower than the one from the same period last year. It is expected that starting from August, the market demand will continue to recover with the diminishing unfavourable factors. The mindset of cement enterprises will also be adjusted and self-disciplinary measures will be adopted again, it is anticipated that the cement price will be recovered and increased continuously, and the price is expected to return to the same level from the corresponding period of last year.

The businesses of the Group mainly locate in Central China and Northeastern China. Central China, especially Henan, has been hit by the extremely rare torrential rain in July. With the enhancement in reconstruction works by the government after the disaster, it is expected that the demand for cement will increase. In the Northeastern China, there was a more rapid investment in infrastructure during the first half of the year, it is expected that such trend will extend to the second half of the year, and provide a further support to the demand of cement. The Group will take the opportunity in markets from Central China and Northeastern China by leveraging the regional advantages, to optimize its sales in locality while at the same time further exploits the market in the coastal region, in order to expand its market area and enhance the sales volume of its products. The Group will further strengthen the internal operational control, and to further reduce the costs in different segments including purchasing, production and sales, and to exploit the potential and enhance the efficiency, and to strive for mitigating the effect of external factors such as flooding and pandemic on the business of the Company, and continue to maintain and enhance the 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 is actively looking for 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 chairman of the Board is not included in the Executive Committee and this ensures that the authority will not 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 2020: 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 2021. 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, 20 August 2021

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