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 2018

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2018	2017	Percentage Change
	RMB'000	*RMB'000*	
Revenue	**4,306,626**	3,785,215	13.8%
Gross profit	**1,373,219**	1,173,977	17.0%
Profit	**565,286**	490,131	15.3%
Of which: Profit attributable to owners of the Company	**550,816**	489,474	12.5%
Basic earnings per share *(RMB)*	**0.19**	0.18	5.6%

	As at 30 June 2018	As at 31 December 2017	Percentage Change
	RMB'000	*RMB'000*	
Total assets	**23,765,031**	25,904,081	(8.3%)
Of which: Current assets	**9,173,267**	10,661,688	(14.0%)
Total liabilities	**13,263,974**	15,968,310	(16.9%)
Of which: Current liabilities	**9,846,336**	14,440,872	(31.8%)
Total equity	**10,501,057**	9,935,771	5.7%
Of which: Equity attributable to owners of the Company	**10,371,671**	9,820,855	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 2018 ("Reporting Period"), together with the comparative figures for the six-month period ended 30 June 2017, as follows:

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2018	2017
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**4,306,626**	3,785,215
Cost of sales		**(2,933,407)**	(2,611,238)
Gross profit		**1,373,219**	1,173,977
Other income	6	**281,097**	206,536
Other gains and losses	7	**(23,570)**	17,348
Selling and distribution expenses		**(139,965)**	(161,212)
Administrative expenses		**(162,073)**	(150,320)
Other expenses		**(7,728)**	(12,458)
Finance costs	8	**(571,667)**	(449,255)
Profit before tax		**749,313**	624,616
Income tax expense	9	**(184,027)**	(134,485)
Profit and total comprehensive income for the period	10	**565,286**	490,131
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**550,816**	489,474
Non-controlling interests		**14,470**	657
		565,286	490,131
Earnings per share			
Basic *(RMB)*	11	**0.19**	0.18

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2018 RMB'000 (unaudited)	As at 31 December 2017 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**11,552,592**	11,959,295
Deposits and prepayments		**816,263**	1,017,138
Prepaid lease payments		**837,361**	872,780
Mining rights		**623,273**	628,845
Goodwill		**307,642**	307,642
Other intangible assets		**4,583**	4,989
Interest in an associate		**265,416**	262,419
Deferred tax assets		**184,634**	189,285
		14,591,764	15,242,393
CURRENT ASSETS			
Inventories		**951,508**	949,263
Trade and other receivables	13	**3,583,561**	3,642,912
Amounts due from an associate		**540,516**	625,992
Amounts due from the ultimate holding company		—	1,212,344
Pledged bank balances		**3,125,271**	3,400,433
Cash and bank balances		**972,411**	830,744
		9,173,267	10,661,688
CURRENT LIABILITIES			
Trade and other payables	14	**2,133,374**	2,927,998
Operating contract liabilities		**196,060**	320,718
Mid-term debentures — due within one year		**1,898,896**	2,369,828
Long-term corporate bonds — due within one year		**995,950**	2,998,515
Borrowings — due within one year		**4,331,184**	5,382,423
Current tax liabilities		**269,938**	418,130
Financial guarantee contracts		**20,934**	23,260
		9,846,336	14,440,872
NET CURRENT LIABILITIES		**(673,069)**	(3,779,184)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,918,695**	11,463,209

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
CAPITAL AND RESERVES		
Share capital	**24,183**	24,183
Share premium and reserves	**10,347,488**	9,796,672
Equity attributable to owners of the Company	**10,371,671**	9,820,855
Non-controlling interests	**129,386**	114,916
TOTAL EQUITY	**10,501,057**	9,935,771
NON-CURRENT LIABILITIES		
Borrowings — due after one year	**977,160**	1,074,662
Long-term corporate bonds	**2,067,595**	72,305
Deferred tax liabilities	**191,554**	195,346
Deferred income	**161,840**	166,132
Provision for environmental restoration	**19,489**	18,993
	3,417,638	1,527,438
	13,918,695	11,463,209

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 PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker.

The consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2018, the Group's current liabilities exceeded its current assets by RMB673,069,000. The Group's current liabilities mainly included trade and other payables, contract liabilities, debentures and borrowings.

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

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

(i) Unutilized banking facilities of RMB1,328,000,000 in aggregate which have been obtained before 30 June 2018;

(ii) Expected generated funds of the Group's operation in the next 12 months.

The Directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and therefore the consolidated financial statements are prepared on a going concern basis.

3. PRINCIPAL ACCOUNTING POLICIES

The 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 the application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the consolidated financial statements for the six months ended 30 June 2018 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2017.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2018 for the preparation of the Group's consolidated financial statements:

IFRS 9	Financial Instruments
IFRS 15	Revenue from Contracts with Customers and the related Amendments
IFRIC-Int 22	Foreign Currency Transactions and Advance Consideration
Amendments to IFRS 2	Classification and Measurement of Share-based Payment Transactions
Amendments to IFRS 4	Applying IFRS 9 Financial Instruments with IFRS 4 Insurance Contracts
Amendments to IAS 28	As part of the Annual Improvements to IFRSs 2014–2016 Cycle
Amendments to IAS 40	Transfers of Investment Property

The new and amendments to IFRSs have been applied in accordance with the relevant transition provisions in the respective standards and amendments which results in changes in accounting policies, amounts reported and/or disclosures.

4. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax. An analysis of the Group's revenue for the period is set out below:

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**4,177,648**	3,598,937
Sales of clinker	**128,978**	186,278
	4,306,626	3,785,215

5. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports. The Group's general manager reviews the operating results and financial information of each manufacturing plant for the purposes of resource allocation and performance assessment. Hence, each manufacturing plant is an operating segment. The nature of products and production process of each manufactory plant are the same and they are operated under similar regulatory environment and applied similar distribution methods. However, customers in different regions are of different economic characteristics. Therefore, the Group has aggregated the operating segments and presented the following two reportable segments based on the regions in which the Group operates: Central China and Northeastern China, which are regularly reviewed by the Board of the Company (being the chief operating decision maker) in order to allocate resources to the operating segments and to assess their performance.

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**	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**3,297,751**	2,943,607	**684,652**	613,241
Northeastern China	**1,008,875**	841,608	**72,086**	22,273
Total	**4,306,626**	3,785,215	**756,738**	635,514
Unallocated corporate administrative expenses			**(7,425)**	(10,898)
Profit before tax			**749,313**	624,616

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

6. OTHER INCOME

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**156,163**	145,230
Incentive subsidies	**6,230**	5,273
Interest on bank deposits	**33,838**	12,989
Rental income	**900**	900
Release of deferred income	**746**	746
Profits from the sales of limestone, aggregate and others, net	**75,874**	39,119
Others	**7,346**	2,279
	281,097	206,536

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange loss/(gain), net	**28,662**	(17,144)
Gain on disposal of property, plant and equipment, net	**(5,092)**	(204)
	23,570	(17,348)

8. FINANCE COSTS

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**254,175**	146,958
Bills discounted with recourse	**95,312**	54,342
Short-term debentures	**—**	29,050
Mid-term debentures	**102,919**	118,540
Long-term corporate bonds	**121,491**	103,040
	573,897	451,930
Less: amounts capitalized	**(2,230)**	(2,675)
	571,667	449,255

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 6.18% per annum (2017: 5.52% per annum) for the period ended 30 June 2018.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current interim period	**181,784**	133,881
— under-provision in prior years	**1,385**	604
	183,169	134,485
Deferred tax	**858**	—
	184,027	134,485

No provision for Hong Kong taxation has been made during the both interim periods as the Group's income neither arisen in nor is derived from Hong Kong.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25% from 1 January 2008 onwards.

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**390,660**	349,151
Amortization of prepaid lease payments	**8,280**	7,911
Amortization of mining rights, included in cost of sales	**5,572**	5,159
Amortization of other intangible assets	**405**	405
Total depreciation and amortization, in aggregate	**404,917**	362,626
Cost of inventories recognized as an expense	**2,933,407**	2,611,238
Staff costs including retirement benefit	**205,412**	187,021

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	
	2018	2017
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(in thousands)*	**550,816**	489,474
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share *(in thousands)*	**2,938,282**	2,705,662

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. And no proposition in relation to the payment of any dividend during the current interim period has been made.

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
Trade receivables	**217,852**	279,292
Less: allowance for bad and doubtful debts	**(30,480)**	(30,480)
	187,372	248,812
Bills receivables	**553,906**	725,360
Other receivables	**2,842,283**	2,668,740
	3,583,561	3,642,912

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

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
Within 90 days	**230,498**	221,251
91–180 days	**448,109**	586,399
181–360 days	**36,960**	126,829
1 year to 2 years	**24,888**	38,846
Over 2 years	**823**	847
Total	**741,278**	974,172

14. TRADE AND OTHER PAYABLES

	As at 30 June 2018 *RMB'000* (unaudited)	As at 31 December 2017 *RMB'000* (audited)
Trade payables	**974,261**	964,952
Bills payables	**750,000**	1,261,300
Other payables and accrued expenses	**409,113**	701,746
	2,133,374	2,927,998

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

	As at 30 June 2018	As at 31 December 2017
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Within 1–90 days	**1,102,843**	1,136,862
91–180 days	**72,858**	299,834
181–365 days	**343,006**	604,721
Over 1 year	**205,554**	184,835
Total	**1,724,261**	2,226,252

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2018, the overall performance of the cement industry in China showed a trend of decreasing volume with prices on a rise. China's cement production volume slightly decreased while the cement prices demonstrated a continuously upward trend. Due to the alternative production arrangements in the industry and the increasing effort in environmental protection monitoring, while the production volume and sales volume of the Group slightly dropped, the sales price increased significantly and the gross profit margin was also raised at the same time. A significant increase was recorded in the profits of the core business of the Group.

According to the statistics of National Bureau of Statistics, in the first half of 2018, China's cement production volume was 1 billion tons, representing a year-on-year decrease of 0.6%, among which:

— The cement production volume in the mid-southern region was 300 million tons, representing a year-on-year decrease of approximately 7.1%; among which the Group's cement production volume in Henan province was 62.6 million tons, representing a year-on-year decrease of approximately 6.7%.

— The cement production volume in east China was 320 million tons, representing a year-on-year decrease of approximately 12.1%; among which the cement production volume in Anhui province was 58.0 million tons, representing a year-on-year decrease of approximately 1.3%.

  In comparison, in the first half of 2018, the Group sold approximately 10.3 million tons of cement in Henan and Anhui, representing a decrease of approximately 7.1% compared to the same period in 2017.

— The cement production volume in the northeastern region was 26.0 million tons, representing a year-on-year decrease of approximately 31.8%; among which the cement production volume in Liaoning province was 15.1 million tons, representing a year-on-year decrease of approximately 4.2%.

— The cement production volume in north China was 67.58 million tons, representing a year-on-year decrease of approximately 19.67%; among which the cement production volume in Tianjin was 2.63 million tons, representing a year-on-year increase of approximately 31.94%.

  In comparison, in the first half of 2018, the Group sold approximately 3.0 million tons of cement in Liaoning and Tianjin, representing an increase of approximately 4.5% compared to the same period in 2017.

In the first half of 2018, the Group sold approximately 0.4 million tons of clinker externally, a decrease of 0.4 million tons compared with 0.8 million tons in the same period of 2017. In the meantime, the clinker we produced was mainly used to meet the Group's internal needs of cement production.

In the first half of 2018, we recorded a revenue of RMB4,306.6 million, an increase of RMB521.4 million or 13.8% compared to the same period in 2017. We sold the cement products at an average price of RMB314.0 per ton, an increase of RMB56.1 per ton or 21.8% compared to the same period last year. Our gross profit margin increased from 31.0% of the same period in 2017 to 31.9% in 2018.

Business Environment

In the first half of 2018, the global political and economic environment was complex. Slowdown in growth, expected increase in inflation and tightened monetary policies were seen in major economies while trade protectionism was on the rise. In general, the Chinese economy was exposed to more unfavorable factors from the external environment.

In the first half of the year, the Chinese government responded to the complex environment by continuing to push forward the supply-side reform, deleveraging and the optimization and upgrade of the economic structure, as well as creating new momentum for economic growth. It also made gradual adjustments to adapt to the inevitable change of the Chinese economy from rapid growth to medium- to high-rate growth, taking advantage of the historic opportunities arising from the economic shift from scale expansion to quality and efficiency enhancement. In the first half of 2018, China maintained a stable growth with a gross domestic product ("GDP") growth rate of 6.8%, representing a slight decrease of 0.1 percentage point as compared with the corresponding period of last year. While industrial transformation and upgrade were accelerated, the contribution of consumption to economic growth was rising. New supply, new demand and new consumption increased significantly, and energy consumption per RMB10,000 of GDP was further reduced.

In the first half of 2018, as the effect of deleveraging was further demonstrated. China's investment in fixed assets (excluding rural households) grew by 6.0% year-on-year, representing a decrease of 1.2 percentage points as compared with the corresponding period of 2017. Investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 7.3% year-on-year, representing a decrease of 13.8 percentage points as compared with the corresponding period of 2017. Sectors with less involvement from state-owned and state-controlled enterprises delivered relatively good performance, of which private investment in fixed assets grew by 8.4% year-on-year, representing an increase of 1.2 percentage points as compared with the corresponding period of 2017. China's investment in real estate development saw a year-on-year growth of 9.7%, representing an increase of 1.2 percentage points as compared with the corresponding period of last year. The economic growth momentum of the areas where the Group operates showed mixed performance as compared with the national average level, of which Henan Province and Liaoning Province, the Group's principal places of business, performed relatively well. As for the Group's non-principal places of business, Anhui Province achieved satisfactory results while Tianjin City delivered relatively poor performance. According to Henan Province Bureau of Statistics, the GDP growth rate of Henan Province was 7.8% in the first half of 2018, higher than the national average level by 1.0 percentage point; investment in fixed assets increased by 9.3%, higher than the national average level by 3.3 percentage points; investment in real estate development rose by 5.6%, lower than the national average level by 4.1 percentage points. According to Liaoning Province Bureau of Statistics, the GDP growth rate of Liaoning Province was 5.6% in the first half of 2018, lower than the national average level by 1.2 percentage points; investment in fixed assets increased by 12.1%, higher than the national average level by 6.1 percentage points; investment in real estate development rose by 15.5%, higher than the national average level by 5.8 percentage points. According to Anhui Province Bureau of Statistics, the GDP growth rate of Anhui Province was 8.3% in the first half of 2018, higher than the national average level by 1.5 percentage points; investment in fixed assets increased by 11.8%, higher than the national average level by 2.1 percentage points; investment in real estate development rose by 22.5%, higher than the national average level by 12.8 percentage points. According to Tianjin City Bureau of Statistics, the GDP growth rate of Tianjin City was 3.4% in the first half of 2018, lower than the national average level by 3.4 percentage points; investment in fixed assets decreased by 17.3%, lower than the national average level by 27 percentage points; investment in real estate development rose by 9.1%, lower than the national level by 0.6 percentage point.

In the first half of the year, the Chinese government continued to consolidate the results of the battle for blue sky and firmly put forward the idea of "lucid waters and lush mountains are invaluable assets". While sparing no effort to eliminate backward production capacity and reduce wasted supply, it continued to implement the three sets of "ten measures" for the prevention and control and air, water and soil pollution. It strove to tackle air pollution by prompting the key industries to save energy and reduce emission. Meanwhile, it strengthened the prevention and control of water pollution at the main rivers and seas, as well as carrying out the major projects on ecological protection and restoration. Other measures include conducting centralized environmental protection monitoring, strictly handling non-compliant cases, enhancing accountability and raising pollutant emission standards. The stricter environmental protection policies and their tighter enforcement have set higher requirements for the cement industry, as well as providing opportunities for high-quality large cement enterprises to rise above the competition in a saturated market with similar products.

Cement Industry

In the first half of 2018, a sharp decline was seen in the growth rate of investment in infrastructure (excluding electricity, heat, gas and water production and supply industries) closely related to the demand for cement while the growth rate of investment in real estate development increased slightly, leading to a small decrease in the national demand for cement. However, the momentum in the second half of 2017 continued and cement prices remained high due to the significant results in supply-side control, the continuous reduction in new production capacity and the gradual decrease in cement production. At the same time, the costs of the industry increased to a certain extent due to the production-limiting factors such as environmental protection regulation, alternative production arrangements, energy conservation and emission reduction, as well as the price increase in coal and raw materials. In general, however, the overall profit of the industry increased sharply. According to the relevant data of the China Cement Association, in the first half of 2018, the cumulative cement production volume of China was 997 million tons, representing a year-on-year decrease of 0.64%. The average cement price of China reached RMB419 per ton (tax inclusive), which increased significantly year-on-year but remained stable as compared with the second half of 2017. Industry efficiency also saw a stable rapid growth, which is expected to reach a record high for the full year of 2018. In respect of production volume by region, the different regional characteristics remained unchanged as production volume was stable in the southern region and decreased in the northern region. The southwestern region recorded the fastest growth rate of 5.59% due to the great effort in poverty alleviation, which is followed by the mid-southern region with a growth rate of 1.34%. The northeastern, northwestern and northern regions showed relatively large decreases of 12.85%, 11.81% and 5.21%, respectively while the eastern region reported a slight decrease of 1.39% as affected by Jiangsu and Shandong. In particular, cement production volume of Henan Province, Liaoning Province, Anhui Province and Tianjin City amounted to approximately 63 million tons (a year-on-year decrease of approximately 6.73%), 15 million tons (a year-on-year increase of approximately 4.24%), 58 million tons (a year-on-year decrease of approximately 1.28%) and 3 million tons (a year-on-year increase of approximately 31.94%), respectively. In respect of inventory, the production-limiting measures, such as alternative production arrangements and environmental protection limitations, improved the overall demand and supply dynamics, resulting in a significantly lower inventory level as compared with last year. In respect of the control on new production capacity, according to the statistics of China Cement (中國水泥網), a total of four clinker production lines were newly put into operation in China in the first half of 2018, with total clinker production capacity remaining at 2 billion tons.

In the first half of 2018, the Chinese government continued to step up the effort to implement the environmental regulations and policies on ecological environmental protection, pollution prevention and control as well as energy conservation and emission reduction. Enormous pressure brought by "environmental protection monitoring" continued while the enforcement of laws on preventing and controlling water, soil, air and other major types of pollution was comprehensively carried out, which had a material impact on the main industrial enterprises. With the rapid increase in price of sandstone as a result of stringent environmental regulations, the Ministry of Industry and Information Technology and the Ministry of Environmental Protection of the PRC jointly issued the "Notice on the Implementation of Alternative Production Arrangements in F/W 2017–2018 for Certain Industries in the '2+26' Cities" (《關於「2+26」城市部分工業行業2017–2018年秋冬季開展錯峰生產的通知》), requiring the cement industry (including special cement but excluding grinding plants) to implement alternative production arrangements during the heat season in accordance with the relevant requirements of the "Notice on Further Promotion of Alternative Production Arrangements of Cement" (《關於進一步做好水泥錯峰生產的通知》) issued by the Ministry of Industry and Information Technology and the Ministry of Environmental Protection. Standardization Administration of the People's Republic of China eliminated composite Portland cement with strength grading of 32.5R (PC32.5R) by No 3 Amendment. "Key points of National Standardization Working Plan of 2018" (《2018年全國標準化工作要點》) enhances the quality standard and level of traditional industry such as cement industry and promotes the resolution of excessive production capacity. Ministry of Industry and Information Technology issued and implemented the "Implementation Measures of Capacity Replacement in Steel and Iron, Cement and Glass Industry" (《關於鋼鐵水泥玻璃行業產能置換實施辦法的通知》) which states a more clear and strict restriction on capacity replacement. All of these have important impacts on the cement industry and the Group. It brings tremendous pressure and challenges and at the same time, promotes the elimination of backward production capacity and better and stronger large-scale cement enterprises.

FINANCIAL REVIEW

Revenue

For the first half of 2018, our total revenue was approximately RMB4,306.6 million, representing a year-on-year increase of RMB521.4 million or 13.8% over the same period of 2017. The cement segment recorded revenue of approximately RMB4,177.6 million in the Reporting Period, representing a year-on-year increase of RMB578.7 million or 16.1% over the same period of 2017. Sales revenue of our clinker products amounted to RMB129.0 million, representing a year-on-year decrease of RMB57.3 million or 30.8% over the same period of 2017. In other words, 97.0% of our total revenue was generated from the sales of cement and 3.0% was from the sales of clinker. In the first half of 2017, the corresponding figures were 95.1% and 4.9%.

In the first half of 2018, we sold 13.3 million tonnes of cement, representing a decrease of 0.7 million tonnes over the same period of 2017 or a decrease of 4.7% year-on-year. The average selling price of cement increased by RMB56.1 per tonne from the same period of 2017, representing an increase of 21.8%. Furthermore, we sold 0.4 million tonnes of clinker in the first half of 2018, representing a decrease of 0.4 million tonnes over the same period of 2017 or a 46.8% decrease year-on-year. The decrease in sales volume of cement products was primarily due to the production limitation for environmental protection implemented in Henan Province where the Group operates and decrease in infrastructure and property investment.

In Henan and Anhui, we sold 10.3 million tonnes of cement, decreasing by 7.1% year-on-year. In Liaoning and Tianjin, we sold 3.0 million tonnes of cement, which was an increase of 4.5% as compared to the last year.

Cost of Sales

In the first half of 2018, we continued our efforts in reducing the impact of increasing 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 RMB2,933.4 million, a year-on-year increase of RMB322.2 million or 12.3% over the first half of 2017, mainly due to the increase in procurement price of rough coal and some of our raw materials.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2018, our costs of raw materials, coal and electricity as a percentage of cost of sales were 35.6% (2017: 34.5%), 36.0% (2017: 35.8%) and 14.6% (2017: 16.3%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity for the production of cement per tonne were RMB76.2 (2017: RMB61.1), RMB76.9 (2017: RMB63.5) and RMB31.1 (2017: RMB28.9) respectively, representing increases of RMB15.1, RMB13.4 and RMB2.3 respectively over the same period of 2017.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB1,373.2 million in the first half of 2018, representing an increase of RMB199.2 million or 17.0% from approximately RMB1,174.0 million in the same period of last year. Our gross profit margin increased to 31.9% in the first half of 2018 from 31.0% in the same period of 2017. The primary reason for the increase of gross profit margin was that the increase of cement price was more substantial than the increase of costs for the year 2018.

Other Income

Other income was approximately RMB281.1 million in the first half of 2018, representing an increase of RMB74.6 million or 36.1% from approximately RMB206.5 million in the same period of 2017. The increase was primarily due to the increases in value-added tax refund income and interest income from bank deposits and the profit growth in the sales of limestone and aggregate businesses.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB140.0 million in the first half of 2018, representing an decrease of RMB21.2 million or 13.2% from approximately RMB161.2 million in the first half of 2017. The decrease was primarily due to the decline in sales volume of sacked cement.

Administrative Expenses

Administrative expenses were approximately RMB162.1 million in the half year ended 30 June 2018, representing a increase of RMB11.8 million or 7.8% from approximately RMB150.3 million in the half year ended 30 June 2017. The increase in administrative expenses for the first half of this year compared to the same period last year was mainly due to the acquisition of two subsidiaries, namely Yongan Cement and Xindeng Cement in June 2017 and the inclusion of their financial statements in the scope of merger.

Finance Costs

Finance costs were approximately RMB571.7 million in the first half of 2018, representing an increase of RMB122.4 million or 27.2% from RMB449.3 million in the first half of 2017. The increase was attributable to the growth in interest rates for borrowings and bonds of the Company caused by the changes in the finance environment.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB749.3 million in the first half of 2018, representing an increase of approximately RMB124.7 million or approximately 20.0% from approximately RMB624.6 million in the first half of 2017.

Income Tax Expenses

Our income tax expenses were approximately RMB184.0 million in the first half of 2018, representing an increase of RMB49.5 million or 36.8% from approximately RMB134.5 million in the first half of 2017, which was mainly due to the increase 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 2018 was approximately RMB550.8 million, representing an increase of RMB61.3 million or 12.5% from approximately RMB489.5 million in the first six months of 2017. Net profit margin was 13.1% in the first six months of 2018, representing an increase of 0.2% from the same period of 2017.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB3,642.9 million as at 31 December 2017 to RMB3,583.6 million as at 30 June 2018, mainly due to the decreases in bills receivables.

Inventories

Inventories increased from RMB949.3 million as at 31 December 2017 to RMB951.5 million as at 30 June 2018, and inventories in the first half of 2018 remained basically the same as compared with the corresponding period of the last year.

Cash and Cash Equivalents

Cash and bank balance increased from RMB830.7 million as at 31 December 2017 to RMB972.4 million as at 30 June 2018, primarily due to the increase in cash inflows from operations during the Reporting Period.

Trade and other payables

Trade and other payables decreased from RMB2,928.0 million as at 31 December 2017 to RMB2,133.4 million as at 30 June 2018, mainly due to the decrease in bills payables and other payables.

Borrowings

Total borrowings and bonds (including corporate bonds) of the Group was approximately RMB10,270.8 million as at 30 June 2018, a decrease of approximately RMB1,627.0 million from RMB11,897.7 million as at 31 December 2017. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) decreased from RMB10,750.8 million as at 31 December 2017 to RMB7,226.0 million as at 30 June 2018. Borrowings due after one year (including mid-term, long-term bonds and corporate bonds) increased from RMB1,146.9 million as at 31 December 2017 to RMB3,044.8 million as at 30 June 2018. Approximately RMB2,621.9 million was debts at fixed rate due within one year.

The Group has been repaying the debts in accordance with the terms of the loan agreement. As at 30 June 2018, we had unutilized banking facilities of approximately RMB1,328.0 million.

Principal Sources of Liquidity

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

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

As at 30 June 2018, our gearing ratio was 55.8%, representing a decrease of 5.8% from 61.6% as at 31 December 2017. As at 30 June 2018, our current ratio was 0.93, representing an increase of 26.2% from 0.74 as at 31 December 2017; our quick ratio was 0.84, representing an increase of 24.2% from 0.67 as at 31 December 2017; our debt equity ratio was 1.26, representing a decrease of 0.35 or 21.4% from 1.61 as at 31 December 2017.

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 2018, our net gearing ratio was 58.8%, representing a decrease of 18.6 percentage points from 78.1% as at 31 December 2017. 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 2018 was approximately RMB56.4 million (for the first half of 2017: approximately RMB54.1 million) and capital commitment as at 30 June 2018 was approximately RMB462.0 million (as at 31 December 2017: approximately RMB470.7 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 2018, the carrying amount of assets of the Group pledged to secure bank borrowings amounted to approximately RMB3,726.4 million (as at 31 December 2017: approximately RMB4,143.7 million).

CONTINGENT LIABILITIES

As at 30 June 2018, other than the contingent liabilities arising from the provision of guarantee to connected parties amounting to approximately RMB1,188.0 million (31 December 2017: RMB1,710.0 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 2017 Framework Agreement Provision of Mutual Guarantees, the details of which are set out in the circular dated 1 May 2017.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

For the six months ended June 30,2018, the Group has not involved in any significant investment, acquisition or disposal.

MATERIAL LITIGATION

During the six-month period ended 30 June 2018, 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.

MARKET RISKS

Exchange Rate Risk

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

Interest Rate Risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowing profiles regularly to monitor our interest rate risk, and will consider hedging significant interest rate exposure when necessary. As our 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

We have 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 adequate by our management to finance 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 2018, the Group had 7,609 employees (as at 31 December 2017: 7,822). As at 30 June 2018, staff costs (including remuneration) was approximately RMB205.4 million (for the same period of 2017: approximately RMB187.0 million). The remuneration policies, bonus and training programs for employees of the Group were implemented on an ongoing basis according to the policies disclosed in the 2017 Annual Report of the Company and no change has been made during the six-month period ended 30 June 2018.

PROSPECTS

The cement industry still faces different challenges in 2018, which includes the continued implementation of measures, such as alternative production arrangements, environmental protection monitoring, production-limiting, suspension of production and kilns, etc. internally, together with the harsh external economic environment and the constant trade war between China and the United States, leading the growth of GDP to decrease 2.6 percentage points as compared to the same period last year. The Group will harness its own operation and management advantages, pay close attention to the market change and seize opportunities in order to strengthen our leading market position in Henan and Liaoning; meanwhile, we will refine our management, enhance production efficiency, carry out regional market integration and synergy to continuously maintain a certain competitiveness and leading position in Henan and Liaoning cement industries.

CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

Corporate Governance Practices

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

For the period of six months ended 30 June 2018, 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 of Hong Kong Limited (the "Listing Rules") as its own code to regulate its corporate governance practice. Other than those disclosed in this section, the Company had been in compliance with all code provisions set out in the Corporate Governance Code during the six months ended 30 June 2018.

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, 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 a 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 six months ended 30 June 2018.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the six months ended 30 June 2018 and as at the date of this announcement, the Group entered into the following connected transactions or continuing connected transactions (as defined under the Listing Rules).

(a) Purchase of Clinker and Sale of Limestone

Reference is made to the Company's announcement dated 18 December 2017 which contains details of the transactions disclosed herein. Unless stated otherwise, capitalized terms used in this paragraph (a) shall have the same meanings as those used in the circular referred to above.

On 18 December 2017, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong"), a company in which Mr. Li Liufa ("Chairman Li") controls more than 30% of the voting power at its general meetings' entered into the Clinker Supply Framework Agreement. The transactions under the Clinker Supply Framework Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the Clinker Supply Framework Agreement, the aggregate annual caps of the transactions under the agreement are RMB300 million, RMB300 million and RMB300 million for each of the three years ending on 31 December 2017, 2018 and 2019 respectively.

For the six months ended 30 June 2018, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of approximately RMB157.2 million.

(b) Mutual Guarantees

Reference is made to the Company's announcement dated 11 May 2017 which contains details of the transactions disclosed herein. Unless stated otherwise, capitalized terms used in this paragraph (b) shall have the same meanings as those used in the circular referred to above.

On 11 May 2017, the Company and Tianrui Group Company Limited ("Tianrui Group"), a company controlled by Chairman Li, entered into a framework agreement in relation to the provision of mutual guarantees (the "Framework Agreement"). The transactions under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

During the period from 11 May 2017 to 31 December 2017 and for the year ended 31 December 2018 and 2019, the maximum daily balance of the Tianrui Group Guarantee (i.e the guarantees provided by Tianrui Group including its subsidiaries to the Company including its subsidiaries) are RMB7,000 million. During the period from 11 May 2017 to 31 December 2017 and for the year ended 31 December 2018 and 2019, the maximum daily balance of the Company Guarantee (i.e the guarantees provided by the Company including its subsidiaries to Tianrui Group Company) are RMB3,000 million.

As of 30 June 2018, according to the Framework Agreement and as approved by a special committee, the Company (including its subsidiaries) had currently accumulated guarantees of approximately RMB1,190 million as undertaken to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had currently accumulated guarantees of approximately RMB5,110 million as undertaken to the Company.

(c) Deposit and financial services

Refence is made to the announcement of the Company dated 12 December 2017 regarding the details of the transaction mentioned in this paragraph. Unless otherwise stated, meaning of the terms used in paragraph (c) shall have the same meaning used in the announcement aforementioned.

On 6 October 2017, Tianrui Cement, a wholly owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance", Chairman Li controls over 30% of voting rights at the general meeting of the company) entered into the Deposit and Financial Services Agreement. The transactions under the Deposit and Financial Services Agreement constitute continuing connected transactions under Hong Kong Listing Rules.

Pursuant to the Deposit and Financial Services Agreement: 1) the annual caps of the Tinrui Cement's deposits were RMB700,000,000, RMB1,000,000,000 and RMB1,000,000,000 for the three year ended 31 December 2017, 2018 and 2019; 2) the annual caps of the credit services provided by Tianrui Finance to Tianrui Cement were RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000 for the three year ended 31 December 2017, 2018 and 2019; 3) Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for Tianrui Cement and its subsidiaries for free. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and control the risk of assets and liabilities; 4) If Tianrui Finance provides any other financial services as approved by China Banking Regulatory Commission to Tianrui Cement and its subsidiaries, Tianrui Finance and Tianrui Cement will enter into a separate agreement, in accordance with the Financial Services

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

As at 30 June 2018, the amount of Tianrui Cement's deposits placed with Tianrui Finance was RMB57.5 million, while the balance of unsecured loans provided by Tianrui Finance to Tianrui Cement was RMB200 million.

INTERIM DIVIDEND

The Directors of the Company did not recommend the declaration of any interim dividend for the six months ended 30 June 2018 (30 June 2017: 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 2018. The financial information in the 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, 21 August 2018

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