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

ANNUAL RESULTS ANNOUNCEMENT FOR THE YEAR ENDED 31 DECEMBER 2018

SUMMARY/FINANCIAL HIGHLIGHTS

	For the year ended 31 December		
	2018	2017	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Revenue	**10,060,647**	8,420,551	19.5%
Gross profit	**3,273,488**	2,396,894	36.6%
EBITDA	**3,844,697**	3,334,681	15.3%
Profit	**1,251,810**	992,770	26.1%
Of which: Profit attributable to owners of the Company	**1,212,547**	1,001,764	21.0%
Basic earnings per share *(RMB)*	**0.41**	0.37	10.8%

	As at 31 December		
	2018	2017	
	RMB'000	*RMB'000*	
Total assets	**28,553,706**	25,904,081	10.2%
Of which: Current assets	**12,300,677**	10,661,688	15.4%
Total liabilities	**17,474,586**	15,968,310	9.4%
Of which: Current liabilities	**12,571,661**	14,440,872	–12.9%
Total equity	**11,079,120**	9,935,771	11.5%
Of which: Equity attributable to owners of the Company	**11,017,674**	9,820,855	12.2%

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (the "**Group**" or "**we**" or "**our**") for the financial year ended 31 December 2018 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
Revenue	4, 5	**10,060,647**	8,420,551
Cost of sales		**(6,787,159)**	(6,023,657)
Gross profit		**3,273,488**	2,396,894
Other income	6	**549,104**	503,513
Other gains and losses	7	**(81,666)**	(149,008)
Share of profit of an associate		**5,624**	4,502
Impairment losses, net of reversal	8	**(6,026)**	(5,623)
Gain from changes in fair value of financial assets at fair value through profit or loss		**6,132**	451,279
Distribution and selling expenses		**(341,427)**	(340,979)
Administrative expenses		**(434,794)**	(421,099)
Other expenses		**(105,857)**	(79,868)
Finance costs	9	**(1,122,006)**	(1,005,586)
Profit before tax		**1,742,572**	1,354,025
Income tax expenses	10	**(490,762)**	(361,255)
Profit and total comprehensive income for the year	11	**1,251,810**	992,770
Profit/(loss) and total comprehensive income/(expense) for the year attributable to:			
Owners of the Company		**1,212,547**	1,001,764
Non-controlling interests		**39,263**	(8,994)
		1,251,810	992,770

		2018 *RMB*	2017 *RMB*
Earnings per share			
Basic	12	**0.41**	0.37

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

At 31 December 2018

	Notes	**2018** *RMB'000*	2017 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**11,295,763**	11,959,295
Long-term deposits		**2,410,281**	1,017,138
Prepaid lease payments		**849,343**	872,780
Mining rights		**590,251**	628,845
Goodwill		**307,642**	307,642
Other intangible assets		**4,179**	4,989
Interests in associates		**268,043**	262,419
Derivative financial instruments		**7,588**	—
Deferred tax assets		**171,090**	189,285
Pledged bank balances		**87,147**	—
Amounts due from an associate		**261,702**	—
		16,253,029	15,242,393
CURRENT ASSETS			
Inventories		**874,873**	949,263
Trade and other receivables	14	**4,423,920**	3,642,912
Amounts due from associates		**944,911**	625,992
Amount due from the ultimate holding company		**—**	1,212,344
Financial assets at fair value through profit or loss		**43,702**	—
Restricted bank balances		**2,000,000**	—
Pledged bank balances		**3,301,474**	3,400,433
Cash and bank balances		**711,797**	830,744
		12,300,677	10,661,688

	Notes	2018 RMB'000	2017 RMB'000
CURRENT LIABILITIES			
Trade and other payables	15	**3,684,388**	3,248,716
Contract liabilities		**462,096**	—
Other financial liability		**2,000,000**	—
Loan from an associate due within one year		**900,000**	—
Mid-term debentures due within one year		**—**	2,369,828
Long-term corporate bonds due within one year		**106,056**	2,998,515
Borrowings due within one year		**4,847,606**	5,382,423
Current tax liabilities		**552,872**	418,130
Financial guarantee contracts		**18,643**	23,260
		12,571,661	14,440,872
NET CURRENT LIABILITIES		**(270,984)**	(3,779,184)
TOTAL ASSETS LESS CURRENT LIABILITIES		**15,982,045**	11,463,209
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**10,993,491**	9,796,672
Equity attributable to owners of the Company		**11,017,674**	9,820,855
Non-controlling interests		**61,446**	114,916
TOTAL EQUITY		**11,079,120**	9,935,771
NON-CURRENT LIABILITIES			
Loan from an associate due after one year		**100,000**	—
Borrowings due after one year		**2,318,866**	1,074,662
Long-term corporate bonds		**2,121,943**	72,305
Deferred tax liabilities		**183,256**	195,346
Deferred income		**157,548**	166,132
Provision for environmental restoration		**21,312**	18,993
		4,902,925	1,527,438
		15,982,045	11,463,209

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2018

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**").

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 parent as at 31 December 2018 is Tianrui Group Company Limited ("**Tianrui Group**"), which is controlled by Mr. Li Liufa and Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

These consolidated financial statements have been prepared on a going concern basis notwithstanding that the Group had net current liabilities of RMB270,984,000 as at 31 December 2018. The Group's net current liabilities position as at 31 December 2018 was mainly attributable to trade and other payables, loan from an associate, borrowings, other financial liability and corporate bonds due within one year.

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. Meanwhile, the Group recorded net operating cash inflows for the year ended 31 December 2018 and 2017.

The directors of the Company have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 31 December 2018. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the current group's borrowings could be renewed at a rate of 70% based on the Group's historical average loans renewal rate of 80% in the past three years. The directors of the Company, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the directors of the Company consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

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

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

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

IFRS 9	*Financial Instruments*
IFRS 15	*Revenue from Contracts with Customers and the related Amendments*
IFRIC 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 IFRS Standards 2014–2016 Cycle*
Amendments to IAS 40	*Transfers of Investment Property*

In addition, the Group has early applied the amendments to IFRS 9 *Prepayment Features with Negative Compensation* in advance of its effective date, 1 January 2019.

Except as described below and further detailed in the consolidated financial statements, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial performance and positions for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Impacts on opening consolidated statement of financial position arising from the application of all new standards and amendments

As a result of the changes in the Group's accounting policies above, the opening consolidated statement of financial position as at 1 January 2018 had to be restated.

As at 1 January 2018, receipts in advance from customers of RMB315,847,000 previously included in trade and other payables were reclassified as contract liabilities upon the application of IFRS 15. At the date of initial application of IFRS 9, an option to acquire a company is remeasured at fair value which was previously carried at cost less impairment under IAS 39. The fair value gain of RMB2,726,000 relating to the option was adjusted to derivative financial instruments and retained earnings as at 1 January 2018. In addition, additional credit loss allowance of RMB24,689,000 has been recognised against retained earnings as at 1 January 2018. The additional loss allowance is charged against trade receivables and other receivables.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended 31 December 2018 *RMB'000*
Sales of cement	**9,100,016**
Sales of clinker	**813,292**
Sales of limestone aggregate	**147,339**
	10,060,647
Timing of revenue recognition:	
A point in time	**10,060,647**

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

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

An analysis of the Group's revenue for the year ended 31 December 2017 is as below:

	Year ended 31 December 2017 *RMB'000*
Sales of cement	7,868,229
Sales of clinker	552,322
	8,420,551

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 executive directors of the Company and top management (being the chief operating decision maker), in order to allocate resources to the operating segments and to assess their performance.

The Company's chief operating decision maker reviews the Group's internal reporting which is mainly based on two broad geographical locations for the purposes of resource allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

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

	Segment revenue Year ended 31 December		Segment profit/(loss) Year ended 31 December	
	2018	2017	**2018**	2017
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**7,684,622**	6,444,923	**1,732,865**	1,125,241
Northeastern China	**2,376,025**	1,975,628	**160,595**	(228,926)
Total	**10,060,647**	8,420,551	**1,893,460**	896,315
Unallocated corporate administrative expenses			**(92,884)**	(39,471)
Unallocated other (losses)/ gains, net			**(64,136)**	45,902
Unallocated gain from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**")			**6,132**	451,279
Profit before tax			**1,742,572**	1,354,025

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

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

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**22,272,869**	18,139,813
Northeast China	**5,698,918**	6,036,410
Total segment assets	**27,971,787**	24,176,223
Amount due from the ultimate holding company	**—**	1,212,344
Financial assets at FVTPL	**43,702**	—
Derivative financial instruments	**7,588**	—
Interests in associates	**268,043**	262,419
Deferred tax assets	**171,090**	189,285
Unallocated other receivables	**20,197**	9,793
Unallocated cash and bank balances	**71,299**	54,017
Total assets	**28,553,706**	25,904,081
SEGMENT LIABILITIES		
Central China	**12,381,332**	11,630,341
Northeast China	**4,321,860**	3,713,036
Total segment liabilities	**16,703,192**	15,343,377
Deferred tax liabilities	**183,256**	195,346
Current tax liabilities	**552,872**	418,130
Unallocated other payables	**35,266**	11,457
Total liabilities	**17,474,586**	15,968,310

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating and reportable segments other than derivative financial instruments, financial assets at FVTPL, amount due from the ultimate holding company, interests in associates, deferred tax assets, certain unallocated other receivables, and certain unallocated cash and bank balances; and

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

Other segment information

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

For the year ended 31 December 2018

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

For the year ended 31 December 2017

	Central China	Northeast China	Total
	RMB'000	*RMB'000*	*RMB'000*
Additions to property, plant & equipment	128,899	40,002	168,901
Additions to prepaid lease payments	165	3,452	3,617
Additions to mining rights	27,075	334,182	361,257
Impairment loss on goodwill	—	154,951	154,951
Impairment loss on property, plant and equipment	—	58,251	58,251
Finance costs	731,618	273,968	1,005,586
Provision for environmental restoration	1,307	383	1,690
Depreciation and amortisation before capitalisation	708,518	266,552	975,070
(Reversal of provision)/provision for allowance for bad and doubtful debts	(949)	6,572	5,623
Gain on disposal of property, plant and equipment, net	(1,001)	(420)	(1,421)
Value-added tax refund	(268,447)	(38,356)	(306,803)
Incentive subsidies	(5,444)	(4,785)	(10,229)
Interest income on bank deposits	(43,564)	(9,388)	(52,952)

Revenue from major products has been disclosed in Note 4. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer or a group of customers under common control contributing over 10% of the total revenue of the Group for the years ended 31 December 2018 and 2017.

6. OTHER INCOME

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Value-added tax refund	**382,714**	306,803
Incentive subsidies	**12,878**	10,229
Interest income on bank deposits	**85,538**	52,952
Rental income	**3,580**	2,615
Release of deferred income	**8,584**	8,585
Release of financial guarantee liability	**5,377**	9,582
Income from sundry operations	**47,745**	93,268
Software service income	**2,416**	18,803
Others	**272**	676
	549,104	503,513

7. IMPAIRMENT LOSSES, NET OF REVERSAL

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Impairment losses recognised on:		
Trade receivables — goods and services	**1,612**	4,532
Other receivables	**4,414**	1,091
	6,026	5,623

8. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Foreign exchange loss/(gain), net	**64,136**	(66,696)
Impairment loss on goodwill	**—**	154,951
Impairment loss on property, plant and equipment	**—**	58,251
Loss/(gain) on disposal of property, plant and equipment, net	**11,527**	(1,421)
Loss on deemed disposal of partial interest in an associate	**—**	1,606
Others	**6,003**	2,317
	81,666	149,008

9. FINANCE COSTS

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**540,353**	402,328
Finance leases	**—**	680
Bills discounted with recourse	**161,207**	111,256
Mid-term debentures	**108,129**	292,957
Long-term corporate bonds	**295,077**	206,120
Borrowings from an associate	**25,422**	—
	1,130,188	1,013,341
Less: amounts capitalised in the cost of qualifying assets	**(8,182)**	(7,755)
	1,122,006	1,005,586

10. INCOME TAX EXPENSE

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**487,078**	283,112
Overprovision in prior years:		
EIT	**(8,821)**	(4,071)
Deferred tax	**12,505**	82,214
	490,762	361,255

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

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

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**917,742**	924,295
Release of prepaid lease payments	**22,973**	22,372
Amortisation of mining rights, included in cost of sales	**38,594**	27,594
Amortisation of other intangible assets, included in cost of sales	**810**	809
Total depreciation and amortisation	**980,119**	975,070
Less: amounts capitalised to inventories	**(632,673)**	(707,973)
amounts included in other expenses *(note)*	**(57,135)**	(31,493)
	290,311	235,604
Cost of inventories recognised as an expense	**6,787,159**	6,023,657
Employee benefits expense (including contributions to retirement benefit scheme, and directors' emoluments)	**457,831**	418,629
Less: amounts capitalised to inventories	**(180,961)**	(163,856)
	276,870	254,773
Auditor's remuneration	**2,700**	2,700

Note:

Depreciation and amortisation amounting to RMB57,135,000 (2017: RMB31,493,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

12. EARNINGS PER SHARE

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

	Year ended 31 December	
	2018	2017
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,212,547**	1,001,764

	2018	2017
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,705,662

No diluted earnings per share is presented for both 2018 and 2017 as there were no potential ordinary shares in issue for both 2018 and 2017.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2018, nor has any dividend been proposed since the end of the reporting period (2017: Nil).

14. TRADE AND OTHER RECEIVABLES

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade receivables	**306,718**	279,292
Less: allowances for credit losses	**(44,225)**	(30,480)
	262,493	248,812
Bills receivables	**890,674**	725,360
Other receivables	**3,270,753**	2,668,740
	4,423,920	3,642,912

The aged analysis of the Group's trade receivables (net of allowances for credit losses) prepared based on the goods delivery date at the end of each reporting period is as follows:

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**181,172**	160,313
91-180 days	**37,554**	17,225
181-360 days	**17,542**	31,581
1-2 years	**23,188**	38,846
Over 2 years	**3,037**	847
Total	**262,493**	248,812

15. TRADE AND OTHER PAYABLES

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Trade payables	**1,054,681**	964,952
Bills payables	**1,904,300**	1,261,300
Other payables and accrued expenses	**725,407**	1,022,464
	3,684,388	3,248,716

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

	At 31 December	
	2018	2017
	RMB'000	*RMB'000*
Within 90 days	**506,694**	579,062
91-180 days	**161,883**	118,834
181-365 days	**187,038**	82,221
Over 1 year	**199,066**	184,835
Total	**1,054,681**	964,952

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2018, the government continued to implement supply-side structural reforms, eliminating outdated production capacity, increasing industry concentration, and strictly implementing the policies for environmentally-sustained production. The cement industry promoted alternative production arrangements, strengthened the self-regulation of the industry, and prevented unfair competition. In terms of market demand, there is an increase in the new construction area of real estate and construction of rural poverty alleviation projects throughout the Year. Thus, the total demand for cement in the country remained stable. In 2018, the Group further optimized its corporate management, promoted environmental protection standardization, optimized production processes and scientifically allocated inventory and inventory cycles so as to reduce the product costs while increasing the product sales and selling prices. Thus, increase in both sales volume and price can be achieved. This has led to a significant increase in the profit and gross profit margin of the Group's core business.

In 2018, the Group sold approximately 29.4 million tons of cement, an increase of approximately 0.1 million tons or 0.4% compared with approximately 29.3 million tons in 2017, of which, the sales volume of cement in Henan and the northeastern region was approximately 22.3 million tons and approximately 7.1 million tons, respectively, representing a yearly decrease of 0.2 million tons and increase of 0.3 million tons, respectively. In respect of the different types of cement, the Group further optimized the product structure and recorded a significant increase in the sales volume of cement above 42.5 to approximately 23.9 million tons, an increase of 2.5 million tons compared with approximately 21.4 million tons in 2017. Its share in total annual sales volume of cement in 2018 was 81.1%, representing an increase of 8.1% year-over-year. On the other hand, the sales volume of 32.5 cement was approximately 5.5 million tons, a decrease of 2.4 million tons compared with approximately 7.9 million tons in 2017. Its share in total annual sales volume of cement in 2018 was 18.9%, representing a decrease of 8.1% year-over-year. The share of 32.5 cement in the Group's total sales volume continued the downward trend in 2017.

In 2018, the Group sold approximately 2.8 million tons of clinker, an increase of 0.6 million tons or 26.3% compared with approximately 2.2 million tons in 2017, of which, the sales volume of clinker in Henan and the northeastern region was 1.3 million tons and approximately 1.5 million tons, respectively, representing a yearly increase of 0.6 million tons for Henan and the same level as 2017 for the northeastern region.

In 2018, the Group sold approximately 3.2 million tons of aggregate, a decrease of 0.4 million tons or 11.8% compared with approximately 3.6 million tons in 2017.

In 2018, the average selling price of cement of the Group increased from approximately RMB268.7 per ton in 2017 to approximately RMB309.3 per ton in 2018, representing an increase of RMB40.6 per ton or approximately 15.1%, of which, the average selling price of cement in Henan and the northeastern region was approximately RMB319.6 per ton and approximately RMB277.0 per ton, respectively.

In 2018, the average selling price of clinker of the Group was approximately RMB289.2 per ton, an increase of RMB41.2 per ton or 16.6% compared with approximately RMB248.0 per ton in 2017, of which, the average selling price of clinker in Henan and the northeastern region was RMB300.0 per ton and RMB279.2 per ton, respectively.

In 2018, the average selling price of aggregate of the Group was approximately RMB46.4 per ton, an increase of RMB9.7 per ton or 26.3% compared with approximately RMB36.7 per ton in 2017.

In 2018, due to the increase in both the sales volume and the selling prices of products, the revenue of the Group was RMB10,060.6 million, an increase of RMB1,640.0 million or 19.5% compared with approximately RMB8,420.6 million in 2017.

In 2018, the Group continued to enhance production efficiency and the level of management through the further application of informatized and digitalized technology. With the same conditions of production and scale of sales, the number of employees of the Group decreased by 357 or 4.6% compared with 2017.

In 2018, the residual heat power generation of the Group was 683.9 million kW.h, an increase of 10.3 million kW.h compared with the same period last year. The average comprehensive power consumption of clinker was 56.9kW.h/t, a decrease of 0.3kW.h/t compared with approximately 57.2kW.h/t in the same period last year.

In 2018, gross profit margin of the Group was approximately 32.5%, an increase of 4.0 percentage points compared with 2017. Profit before taxation of the Group was approximately RMB1,742.6 million, an increase of RMB388.6 million or 28.7% compared with approximately RMB1,354.0 million in 2017. Excluding the impact of the approximately RMB6.1 million (2017: approximately RMB451.3 million) gains on fair value changes of derivative financial assets, the profit before taxation was approximately RMB1,736.5 million, which increased by RMB833.8 million or 92.4% as compared to approximately RMB902.7 million in 2017.

In 2018, the Group comprehensively intensified the greening transformation measures. Through the transformation, all of these production lines have reached the standard of particulate matter emission by reducing the figure of 20mg in 2017 to less than 10mg. Besides, all the clinker production lines have been equipped with denitration system and bag filter so that the emission concentrations of sulfur dioxide, nitrogen oxides and particulate matter were lower than the national pollutant discharge standard limit value.

In 2018, the headquarter and all subsidiaries of the Group has passed the "four-in-one" certification of quality, environment, occupational health and safety management system and products, and all clinker production lines have passed the energy management system certification.

In 2018, Pengyuan Credit Rating Co., Ltd. carried out follow-up rating for Tianrui Cement Group Company Limited, a subsidiary of the Company, and maintained its original rating of AA+ and expected a stable prospect.

BUSINESS ENVIRONMENT

According to the National Bureau of Statistics, China's GDP grew by 6.6% in 2018, ranking first among the top five economies in the world. The growth rate has been running in the range of 6.4%–7.0% for 16 consecutive quarters, and the stability and toughness of economic operations have been significantly enhanced.

In 2018, China's investment in fixed assets (excluding rural households) grew by 5.9% year-on-year, representing a decrease of 1.3 percentage points over last year. Investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 3.8% yearly, showing that the infrastructure investment is running low. Investment in real estate development rose by 9.5% yearly, representing an increase of 2.5 percentage points over last year while the real estate new construction area increased by 17.2% yearly, and the growth rate was 10.2 percentage points higher than last year. The increase in the investment in real estate and the new construction area of real estate has offset the decline in cement demand caused by the decline in fixed asset investment growth and the slowdown in infrastructure growth, stabilizing the demand for the cement industry.

According to the Henan Provincial Bureau of Statistics, the GDP of Henan Province in 2018 increased by 7.6% as compared with the previous year, higher than the national average level by 1.0 percentage points; investment in fixed assets increased by 8.1%, higher than the national average level by 2.2 percentage points; investment in infrastructure increased by 18.5%; investment in real estate development decreased by 1.1%, lower than the national average level by 10.6 percentage points. The growth in investment in fixed assets, especially for the rise in investment in infrastructure, has offset the decline in investment in real estate development, thereby stabilizing the overall demand for cement in the region. According to the statistics of the Liaoning Provincial Bureau of Statistics, the GDP of Liaoning Province in 2018 increased by 5.7% over the previous year, lower than the national average level by 0.9 percentage points; investment in fixed assets increased by 3.7%, lower than the national average level by 2.2 percentage points; investment in real estate development rose by 13.5%, higher than the national average level by 4.0 percentage points. The growth of investment in real estate development offset the shortage of investment in fixed assets, which made the overall demand for cement in the region stable with slight decline.

CEMENT INDUSTRY

In 2018, the cement industry implemented a series of policies with regard to the government's supply-side reform and environmental protection and launched measures such as energy conservation, emission reduction, staggering peak production, and comprehensive mine remediation. A number of backward production capacities were shut down, thereby the industry concentration further increased. The self-regulation of the industry has been significantly enhanced and the supply and demand in the cement market has been significantly improved. Therefore, the overall inventory of the industry has been the lowest since 2015 and the cement price has continued to rise during the year with a significant increase in overall profit of the industry. According to the relevant data of China Cement Industry Association, the cement industry achieved a profit of RMB154.6 billion in 2018, increased 114% yearly and the total profit hit a record high.

In 2018, the new cement production capacity in the country continued to decrease, and the cement production gradually declined. According to the Cement Big Data Research Institute, the cement production under full caliber was 2.21 billion tons, down 6.03% yearly, and the absolute amount reduced by 140 million tons. There was no new capacity for clinker in the country, and the clinker capacity involved in the new production was about 20 million tons, which were all capacity replacement projects. In 2018, the national clinker production capacity was 1.716 billion tons, a yearly decrease of 54 million tons; the annual clinker production was 1.4 billion tons, and the capacity utilization rate gradually became reasonable.

In 2018, the concentration of cement industry has further increased. In terms of clinker, the concentration of clinker capacity of the top 10 cement companies (groups) reached 64%, a significant increase compared with last year. In terms of cement, the decline in the production of full-scale cement in the country and the increase in cement production in enterprises above designated size have led to an increase in the concentration of cement production. According to the National Bureau of Statistics, the annual cement output of enterprises above designated size in 2018 was 2.177 billion tons, up 3% yearly, while the national cement output under full-caliber was 2.21 billion tons, down 6.03% yearly.

In 2018, the national cement market price showed an overall upward trend. The average monthly market price was above RMB400/ton (including tax price), and the national average price in December had reached RMB464/ton (including tax price, excluding Tibet).

In 2018, the Chinese government continued to strengthen the implementation of environmental protection laws and policies such as eco-environmental protection, pollution prevention, energy conservation and emission reduction, and maintained strict enforcement of "environmental supervision" throughout the Year, focusing on legislative and law enforcement work on pollution prevention in water, soil and air. This creates a significant impact on major industrial enterprises. In June 2018, the "Three-Year Action Plan to Win the Blue Sky Defense War" was issued by the State Council and it required the significant decline in total amount of major air pollutants discharged and greenhouse gas emissions, as well as the concentration of particle to PM2.5. By 2020, the total emissions of sulphur dioxide and nitrogen oxides will decrease by more than 15% as compared with 2015; the number of prefecture-level or below cities which do not satisfy the concentration of PM2.5 will decrease by 18% or above as compared with 2015 and ratio of days with good air quality in prefecture-level or below cities will reach 80% while the ratio for days which are highly polluted or above will decrease by at least 25% as compared with 2015. Policy and law enforcement supervision in the field of environmental protection has had an important impact on the cement industry and the Group. It does not only bring about the pressure and challenge of the cost due to the increase in environmental protection standard, but also elimination of the backward production capacity and the improvement of industrial barriers. This benefits the rebound in sales prices and bring about positive effects.

In 2018, the Chinese government persisted in the reform of supply-side structural reform, the effect of "cut excessive industrial capacity, destocking, de-leveraging and lower corporate costs" continued. In January 2018, the Ministry of Industry and Information Technology issued a notice on the implementation of the capacity replacement method for the iron and steel cement glass industry, which required the prohibition of filing and newly building cement clinker and flat glass projects with expanded production capacity. In June 2018, the "Opinions on Fully Strengthening Ecological Environmental Protection to Win the Battle of Pollution Prevention and Control" were issued by the State Council. It is required to continue resolving the excess new production capacity in industries such as steel, cement, electrolytic aluminum, and flat glass. In August 2018, the "Notice on Strictly Replacing Capacity and Prohibiting New Capacity in the Cement and Flat Glass Industries" was jointly issued by the General Office of the Ministry of Industry and Information Technology and the General Office of the National Development and Reform Commission. The control of new production capacity will facilitate the further elimination of backward production capacity, resolving the overcapacity situation in the cement industry, and improve the supply and demand relationship in the cement industry.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB10,060.6 million in 2018, representing an increase of RMB1,640.0 million, or 19.5%, from approximately RMB8,420.6 million in 2017.

The revenue from cement sales was approximately RMB9,100.0 million in 2018, representing an increase of RMB1,231.8 million, or 15.7%, as compared with 2017. The sales volume of cement increased by 0.1 million tons or 0.4%, from approximately 29.3 million tons in 2017 to approximately 29.4 million tons in 2018. The Group took an active market strategy and continuously raised the selling prices to face the changes of the demands and prices in the cement market, resulting in the significant increase in the sales revenue in 2018.

Clinker is a semi-finished product used to produce cement. The clinkers produced in 2018 were primarily used to satisfy the internal demand for cement production. Only approximately 2.8 million tons of the Group's clinkers were sold externally. Approximately RMB813.3 million of revenue generated from clinker sales was recorded in 2018, representing an increase of RMB261.0 million, or 47.2%, from approximately RMB552.3 million in 2017. The revenue growth was mainly due to the significant increase in the price of clinker and the sales.

In 2018, the Group's sales revenue from the central China region amounted to approximately RMB7,684.6 million, representing an increase of RMB1,239.7 million or 19.2% compared to approximately RMB6,444.9 million in 2017. The Group's sales revenue from the Northeastern region of China amounted to approximately RMB2,376.0 million, representing an increase of RMB400.4 million or 20.3% compared to approximately RMB1,975.6 million in 2017.

Revenue from sales of cement was approximately 90.4% of the total revenue in 2018 and 93.4% of the total revenue in 2017, respectively. Revenue from sales of clinker was approximately 8.1% of the total revenue in 2018 and 6.6% of the total revenue in 2017, respectively. In 2018, revenue from sales of aggregate was approximately 1.5% of the total revenue.

Cost of Sales

In 2018, the Company continued its efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. The cost of sales was approximately RMB6,787.2 million in 2018, representing an increase of RMB763.5 million, or 12.7% as compared with 2017. The increase was primarily due to the higher bulk purchase price of raw materials for the production of cement and clinker.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In 2018, costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 33.6%, 35.5% and 13.1%, respectively. During the period, costs of raw materials, coal and electricity for production of cement per ton were approximately RMB64.4, RMB68.1 and RMB25.1, respectively, representing an increase of RMB0.6, an increase of RMB0.6 and a decrease of RMB2.0, respectively, as compared with 2017.

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

Gross profit was approximately RMB3,273.5 million for the year ended 31 December 2018, representing an increase of RMB876.6 million, or 36.6%, from approximately RMB2,396.9 million last year. Gross profit margin increased to approximately 32.5% in 2018 from approximately 28.5% in 2017. The increase in gross profit margin was primarily due to the larger increase in selling prices of cement and clinker than the increase in unit production cost.

In 2018, the Group's segment profit from the central China region amounted to approximately RMB1,732.9 million, representing an increase of RMB607.7 million or 54.0% compared to approximately RMB1,125.2 million in 2017. The increase was due to the significant increase in the gross profit of the segment of that particular region. The Group's segment loss from the Northeastern region amounted to approximately RMB160.6 million, representing an increase of a profit of RMB389.5 million compared to a segment loss of approximately RMB228.9 million in 2017. This was due to the provision of approximately RMB212.8 million made by the management based on the relevant forecasting analysis of the goodwill and the fixed assets of the subsidiaries of that particular region in 2017; eliminating this factor for comparison, the Group's segment loss from the Northeastern region turned profit.

Other income

Other income was approximately RMB549.1 million for the year ended 31 December 2018, representing an increase of RMB45.6 million, or 9.1%, from approximately RMB503.5 million for the year ended 31 December 2017. The increase was primarily due to the increase in value added tax subsidies for the integrated use of resources and interest on deposits.

Gains on fair value changes of derivative financial assets

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

Under the Amended Non-competition Deed, the Company has the option to acquire the New Business (as defined in the Circular) or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the shareholders as a whole; and (b) any requirement under the Listing Rules in relation to the acquisition of the New Business and any interest in it.

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

The fair value of the Option at the end of December 2018 was about RMB7,588,000 and the Company has not exercised the Option. The revenue of the change in fair value during the year in the amount of about RMB4,862,000 was recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

For the year ended 31 December 2018, selling and distribution expenses were approximately RMB341.4 million, which was basically in line with approximately RMB341.0 million for the year ended 31 December 2017.

Administrative Expenses

Administrative expenses were approximately RMB434.8 million for the year ended 31 December 2018, representing an increase of RMB13.7 million, or 3.3%, from approximately RMB421.1 million for the year ended 31 December 2017. The increase in administrative expenses was mainly due to the acquisition of Yongan Cement and Xindeng Cement completed by the Company in June 2017, which were consolidated into the Group's results, and the commencement of operation of Tiger Cement during the year, resulting in the increase in administrative expenses for the year.

Other Expenses

Other expenses were approximately RMB105.9 million for the year ended 31 December 2018, representing an increase of approximately RMB26.0 million, or 32.5%, from approximately RMB79.9 million for the year ended 31 December 2017. The increase in other expenses was mainly due to the increase in expense incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB1,122.0 million for the year ended 31 December 2018, representing an increase of RMB116.4 million, or 11.6%, from approximately RMB1,005.6 million for the year ended 31 December 2017. The increase was primarily attributable to the increase in the interest rates of the Company's borrowings and bonds due to the changes in the financing environment.

PROFIT BEFORE TAXATION

As a result of the foregoing, profit before taxation was approximately RMB1,742.6 million for the year ended 31 December 2018, representing an increase of approximately RMB388.6 million, or approximately 28.7%, from approximately RMB1,354.0 million for the year ended 31 December 2017.

Excluding the impact of the RMB6.1 million (2017: approximately RMB451.3 million) gains on fair value changes of derivative financial assets, the profit before taxation is approximately RMB1,736.5 million, which increased by RMB833.8 million or 92.4% as compared to approximately RMB902.7 million in 2017.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB490.8 million for the year ended 31 December 2018, representing an increase of RMB129.5 million, or about 35.8% from approximately RMB361.3 million for the year ended 31 December 2017, which was mainly due to the significant increase of operating income other than the revenue of the fair value change of financial derivatives in the profit before tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, profit attributable to owners of the Company for the year ended 31 December 2018 was approximately RMB1,212.5 million, representing an increase of RMB210.7 million, or about 21.0%, from approximately RMB1,001.8 million for the year ended 31 December 2017. The net profit margin increased from 11.9% for the year ended 31 December 2017 to 12.1% for the year ended 31 December 2018.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from approximately RMB3,642.9 million as at 31 December 2017 to approximately RMB4,423.9 million as at 31 December 2018, mainly due to the increase in bills receivables due to the increase in sales and procurement and the increase in bills endorsed to suppliers and prepayments.

Amounts due from an associate

The amounts due from an associate of approximately RMB944.9 million as at 31 December 2018 (2017: approximately RMB626.0 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in 2019 under the Clinker Supply Framework Agreement and the deposit with Tianrui Group Finance Company Limited ("**Tianrui Finance**").

Inventories

Inventories decreased from approximately RMB949.3 million as at 31 December 2017 to approximately RMB874.9 million as at 31 December 2018, primarily due to the decrease in the inventory amount during the year 2018.

Restricted balances and other liabilities

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

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

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

Cash and cash equivalents

Cash and bank balance decreased from approximately RMB830.7 million as at 31 December 2017 by RMB118.9 million or 14.3% to approximately RMB711.8 million as at 31 December 2018, primarily due to the Group's deposit of RMB644.9 million with Tianrui Finance which was listed in the balance of amounts due from associates. The Group's annual balance of deposits with commercial banks and Tianrui Finance was RMB1,356.7 million.

Borrowings

As at 31 December 2018, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB1,503.2 million or 12.6% to approximately RMB10,394.5 million from approximately RMB11,897.7 million last year. Borrowings due within one year and short-term debentures (including mid-term debentures due within one year) decreased from approximately RMB10,750.7 million as at 31 December 2017 to RMB5,853.7 million as at 31 December 2018; borrowings due after one year, midterm debentures and long-term corporate bonds increased from approximately RMB1,147.0 million as at 31 December 2017 to approximately RMB4,540.8 million as at 31 December 2018; the Group has been repaying the debts in accordance with the terms of the loan agreement, and the Group had unutilized bank facilities of approximately RMB800.6 million as at 31 December 2018.

Principal sources of liquidity

The Group's principal sources of liquidity have historically been cash generated from operations and bank and other borrowings. It has historically used cash from such sources for working capital, production facility expansions, other capital expenditures and debt repayments. The Company anticipates these sources will continue to be the principal financing in the future and expects the cash flow will be sufficient to fund the ongoing business requirements. Meanwhile, the Company will further broaden the financing channels to improve its capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS

On 29 December 2018, the Group and the Investor entered into the Capital Injection Agreements pursuant to which the Investor conditionally agreed to inject capital into Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司*, Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司*, Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司*, Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司* and Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司* (together the "**Target Companies**") in the aggregate amount of RMB2,000,000,000.

On 29 December 2018, the Group and the Investor entered into the Share Repurchase Agreements pursuant to which the Group agreed to repurchase the relevant Equity Interests at an amount equal to the relevant Injected Amount.

GEARING RATIO

As at 31 December 2018, the gearing ratio was approximately 61.2%, representing a decrease of 0.4 percentage points from approximately 61.6% as at 31 December 2017. The change of gearing ratio was due to the increase in interests of the holders.

As at 31 December 2018, the current gearing ratio was approximately 1.0, representing an increase of 32.5% from approximately 0.7 as at 31 December 2017. The quick ratio was approximately 0.9, representing an increase of 35.1% from approximately 0.7 as at 31 December 2017. Changes of the above ratios were due to the increase in current assets except inventory and the decrease in current liabilities.

As at 31 December 2018, the debt equity ratio was approximately 1.6, which was the same as approximately 1.6 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 interest, of which, equity interest includes minority interest and non-controlling interest

NET GEARING RATIO

As at 31 December 2018, the net gearing ratio was approximately 57.9%, representing a decrease of 20.2 percentage points from approximately 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 for the year ended 31 December 2018 was approximately RMB303.8 million (2017: approximately RMB102.7 million) and capital commitments for the year ended 31 December 2018 was approximately RMB399.3 million (2017: approximately RMB470.7 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2018, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB3,879.8 million (2017: approximately RMB4,143.7 million).

CONTINGENT LIABILITIES

As at 31 December 2018, other than contingent liabilities arising from the provision of guarantee to related parties amounting to approximately RMB1,132.8 million (31 December 2017: approximately RMB1,710.0 million), the Group did not have other contingent liabilities. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2017 Framework Agreement Provision of Mutual Guarantees, the details of which are set out in the circular dated 1 May 2017.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2018, save as disclosed in this announcement, the Group did not hold any material investment, make any material investment nor acquire any capital assets as of 31 December 2018.

MARKET RISKS

Interest rate risk

The Group is exposed to interest rate risk resulting from its long-term and short-term borrowings. The Group reviews its borrowings regularly to monitor its interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As the Group's exposure to interest rate risk relates primarily to its interest-bearing bank loans, its 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. It manages 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. The management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange rate risk

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2018, the Group had 7,465 employees (31 December 2017: 7,822). In 2018, the employees' cost (including remuneration) was approximately RMB457.8 million (2017: approximately RMB418.6 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

In 2019, the Chinese government has set a target GDP growth rate of 6% to 6.5%. It will implement a more proactive fiscal policy with a planned deficit rate of 2.8%, which is 0.2% higher than that of last year. The implementation of a moderately prudent monetary policy will reduce the effective interest rate level. There may be a specific proposal on a larger scale tax reduction. Thus, the burden of corporate social security contributions will be significantly reduced. It is confirmed that the investment of RMB800 billion in railway investment and the RMB1.8 trillion in highway in 2019 water transport investment will be completed while there will be increased investment in infrastructure such as inter-city transportation, logistics, municipal administration, disaster prevention, civil and general aviation. The implementation of these policies and objectives will certainly help to reduce the operating costs of cement companies and stabilize the cement demand.

In 2019, there will be expectation in the demand for cement in the Group's core operations region. The Henan Provincial Development and Reform Commission recently issued the "7819 Implementation Plan for the Expansion of Effective Investment Actions in Henan Province", focusing on seven major fields, including advanced manufacturing, modern service industry, major infrastructure, new urbanization, agriculture and rural areas, ecological environment protection, and social welfare. It will concentrate on promoting 8,000 key projects with a total investment of RMB7.5 trillion and strive to complete an investment of RMB1.9 trillion throughout the year 2019. The implementation of these projects will certainly support the demand for cement in Henan Province.

In 2019, Report on the Work of the Government stated that the government should continue to adhere to the supply-side structural reform as their priority, and work hard under the concepts of "consolidation, enhancement, upgrade, and smoothening". The Government will also strengthen pollution prevention and ecological construction, consolidate and expand the scope of the Blue Sky Defense War. In 2019, it is expected that the emission of sulfur dioxide and nitrogen oxides will decrease by 3%, and the concentration of fine particulate matter (PM2.5) in key areas will continue to decline. Water and soil pollution control will be strengthened while chemical oxygen demand and ammonia nitrogen emissions should be reduced by 2%. The policy in the field of environmental protection has an important impact on the cement industry, which is conducive to the elimination of backward production capacity and the improvement of industrial barriers in the cement industry, which in turn is conducive to the improvement of the supply and demand in the industry.

In 2019, the "Leading Group for Pollution Prevention and Control" of Henan Province issued the "Implementation Plan for Atmospheric Pollution Prevention and Control in 2019 in Henan Province", which required the qualified cement clinker enterprises in the province to complete the standardization treatment. In a reference oxygen content of 10%, there should not be more than 10 mg/m3, 35 mg/m3, 100 mg/m3 and 8 mg/m3 of particles, sulfur dioxide, nitrogen oxides and ammonia respectively in the cement kiln exhaust gas. There is also detailed arrangement in 2019 cement staggering peak production in Henan Province. In addition, during the days of heavy pollution, all enterprises will participate in emergency management and control according to the law, actively promoting the production of general cement clinker production lines of 2,000t/d and below with cement grinding equipment with a diameter of 3m or less. Cities will also be encouraged to shut down the relevant enterprise equipment in advance. The strict implementation of environmental protection standards will definitely eliminate backward production capacity. The withdrawal of production capacity and the implementation of staggering peak production will continue to improve the supply and demand relationship in the Henan cement market.

As one of the twelve nationally recognized major cement companies in China and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group is encouraged to undertake the integration of the cement market in the Central China region and to promote the integration of the cement industry. The government provides support to designated companies such as tax incentives and special projects or financing approvals. The Group will make full use of its policies and its own advantages, strengthen internal management, enhance refined management while optimizing production processes, increasing production utilization, and promoting regional market integration and synergy in order to seize new profit growth points, maintain and enhance the advantages of cost and scale to consolidate the leading market position in Henan and Liaoning.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Company endeavours to promote business development and strive for greater rewards for its shareholders, it acknowledges the corporate social responsibility to shoulder its social responsibility and led to better development of the business. It participates in public welfare activities and supports poverty alleviation so as to create a stable and harmonious community environment. In 2018, the Group arranged tree planting and visiting poor families activities and promoted mutual help among staff in the Group. Besides, the Group is also committed to promoting a green office culture within offices, production lines, staff living areas, etc.

CORPORATE GOVERNANCE

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

For the period from 1 January 2018 to 31 December 2018, the Company has adopted the code provisions set out in the Corporate Governance Code set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Save as disclosed in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 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 now. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an Executive Committee, which was composed of three executive directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not be vested in the same person.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2018.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference set out in the Corporate Governance Code. The principal duties of the audit committee includes the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises three independent non-executive directors of the Company, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang.

The audit committee of the Board of the Company has discussed with the management of the Company on and reviewed the consolidated financial statements of the Group for the year ended 31 December 2018 and this announcement.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2018 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the Group's audited consolidated financial statements for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

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

During the year ended 31 December 2018, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

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

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders of the Company to attend, speak and vote at the forthcoming annual general meeting of the Company, the register of members of the Company (the "**Register of Members**") will be closed as follow:

Latest time to lodge transfer documents for registration with the Company's share registrar office in Hong Kong	At 4:30 p.m. on 24 May, 2019
Record Date	30 May, 2019
Closure of the Register of Members	25 May 2019 to 30 May 2019 (both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2018.

PUBLICATION OF ANNUAL REPORT

The Company's annual report for the year ended 31 December 2018 will be published on the website of the Stock Exchange and the Company's website at http://www.trcement.com and will be dispatched to the Company's shareholders in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 18 March 2019

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