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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 2022

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		Percentage of Change
	2022 <i>RMB'000</i>	2021 <i>RMB'000</i>	
Revenue	5,321,033	5,732,761	-7.2%
Gross profit	1,448,998	1,753,881	-17.4%
Profit	495,752	795,010	-37.6%
Of which: Profit attributable to owners of the Company	<u>456,536</u>	<u>751,571</u>	<u>-39.3%</u>
Basic earnings per share (<i>RMB</i>)	<u>0.16</u>	<u>0.26</u>	<u>-39.3%</u>
	As at 30 June 2022 <i>RMB'000</i>	As at 31 December 2021 <i>RMB'000</i>	Percentage of Change
Total assets	33,003,220	32,658,235	+1.1%
Of which: Current assets	17,939,782	16,925,766	+6.0%
Total liabilities	16,439,190	16,589,957	-0.9%
Of which: Current liabilities	12,968,739	13,254,960	-2.2%
Total equity	16,564,030	16,068,278	+3.1%
Of which: Equity attributable to owners of the Company	<u>16,340,144</u>	<u>15,883,608</u>	<u>+2.9%</u>

INTERIM RESULTS

The board (the “**Board**”) of directors (the “**Directors**”) of China Tianrui Group Cement Company Limited (the “**Company**”) announces the unaudited condensed consolidated results of the Company and its subsidiaries (collectively, the “**Group**”, “**our Group**”, “**our**” or “**we**”) for the six-month period ended 30 June 2022 (the “**Reporting Period**”), together with the comparative figures for the six-month period ended 30 June 2021, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2022

		For the six months ended 30 June	
	Notes	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4, 5	5,321,033	5,732,761
Cost of sales		<u>(3,872,035)</u>	<u>(3,978,880)</u>
Gross profit		1,448,998	1,753,881
Other income	6	391,351	335,395
Other gains and losses	7	(101,581)	21,177
Share of profit of associates		8,324	30,960
Selling and distribution expenses		(158,066)	(200,391)
Administrative expenses		(462,682)	(425,244)
Other expenses		(6,507)	(22,124)
Finance costs	8	<u>(509,814)</u>	<u>(505,829)</u>
Profit before tax		610,023	987,825
Income tax expense	9	<u>(114,271)</u>	<u>(192,815)</u>
Profit and total comprehensive income for the period	10	<u>495,752</u>	<u>795,010</u>
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		456,536	751,571
Non-controlling interests		<u>39,216</u>	<u>43,439</u>
		<u>495,752</u>	<u>795,010</u>
Earnings per share			
Basic (RMB)	11	<u>0.16</u>	<u>0.26</u>

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 30 June 2022

	<i>Notes</i>	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		9,892,020	10,169,121
Long-term deposits		168,308	218,134
Right-of-use assets		1,015,996	1,013,962
Mining rights		1,343,469	1,364,769
Goodwill		300,857	300,857
Other intangible assets		14,000	14,000
Investments in associates		1,118,040	1,111,346
Derivative financial instruments		1,155	1,155
Deferred tax assets		155,686	155,771
Pledged bank balances		47,076	47,076
Amounts due from associates		189,431	518,878
Other prepayments		817,400	817,400
		15,063,438	15,732,469
CURRENT ASSETS			
Inventories		1,283,907	850,721
Trade and other receivables	13	8,106,794	8,351,250
Amounts due from an associate		868,915	928,630
Deposits		117,111	104,959
Financial assets at fair value through profit or loss		9,694	9,694
Pledged bank balances		5,056,178	4,369,881
Cash, deposits and bank balances		2,497,183	2,310,631
		17,939,782	16,925,766
Sub-total of current assets		17,939,782	16,925,766

		As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
	<i>Notes</i>		
CURRENT LIABILITIES			
Trade and other payables	14	4,505,581	4,273,572
Contract liabilities		576,829	526,892
Lease liabilities due within one year		7,675	12,128
Other financial liabilities		948,555	992,110
Loan from an associate due within one year		270,000	400,000
Borrowings due within one year		5,347,527	5,785,130
Long-term corporate bonds due within one year		60,718	37,610
Current tax liabilities		360,226	331,676
Guaranteed notes due within one year		882,266	884,913
Financial guarantee contracts		9,362	10,929
		<hr/>	<hr/>
Sub-total of current liabilities		12,968,739	13,254,960
		<hr/>	<hr/>
NET CURRENT ASSETS		4,971,043	3,670,806
		<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES		20,034,481	19,403,275
		<hr/> <hr/>	<hr/> <hr/>
CAPITAL AND RESERVES			
Share capital		24,183	24,183
Share premium and reserves		16,315,961	15,859,425
		<hr/>	<hr/>
Equity attributable to owners of the Company		16,340,144	15,883,608
Non-controlling interests		223,886	184,670
		<hr/>	<hr/>
TOTAL EQUITY		16,564,030	16,068,278
		<hr/>	<hr/>

	As at 30 June 2022	As at 31 December 2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(audited)
NON-CURRENT LIABILITIES		
Borrowings due after one year	2,178,940	1,522,198
Loan from an associate due after one year	350,000	800,000
Long-term corporate bonds	6,842	26,981
Lease liabilities due after one year	5,098	6,608
Other financial liabilities	221,000	215,750
Deferred tax liabilities	162,738	167,217
Deferred income	174,920	209,460
Provision for environmental restoration	53,816	43,422
Other long-term payable	317,097	343,361
	<hr/>	<hr/>
Sub-total of non-current liabilities	3,470,451	3,334,997
	<hr/>	<hr/>
TOTAL ASSETS LESS CURRENT LIABILITIES	20,034,481	19,403,275
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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL INFORMATION

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

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

The condensed consolidated financial statements are presented in Renminbi (“**RMB**”), which is the same as the functional currency of the Company.

2. BASIS OF PREPARATION OF CONDESED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (“**IAS**”) 34 “Interim Financial Reporting” issued by the International Accounting Standards Board (“**IASB**”) as well as the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (“**HKEX**”).

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than additional accounting policies resulting from application of amendments to International Financial Reporting Standards (“**IFRSs**”), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2022 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended 31 December 2021.

Application of amendments to IFRSs

In the current interim period, the Group has applied the following amendments to IFRSs issued by the IASB, for the first time, which are mandatorily effective for the Group’s annual period beginning on 1 January 2022 for the preparation of the Group’s condensed consolidated financial statements:

Amendments to IFRS 3	Reference to the Conceptual Framework
Amendments to IAS 16	Property, Plant and Equipment — Proceeds before Intended Use
Amendments to IAS 37	Onerous Contracts — Cost of Fulfilling a Contract
Amendments to IFRSs	Annual Improvements to IFRSs 2018–2020

The application of the amendments to IFRSs in the current interim period has had no material effect on the Group's financial positions and performance for the current and prior periods and/or disclosures in these condensed consolidated financial statements.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2022 RMB'000 (unaudited)	For the six months ended 30 June 2021 RMB'000 (unaudited)
Sales of cement	4,329,912	5,086,101
Sales of clinker	458,644	191,995
Sales of limestone aggregate	<u>532,477</u>	<u>454,665</u>
	<u>5,321,033</u>	<u>5,732,761</u>
Revenue recognition at a point in time	<u><u>5,321,033</u></u>	<u><u>5,732,761</u></u>

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

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

5. SEGMENT INFORMATION

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

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

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

	Segment revenue		Segment profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2022	2021	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)	(unaudited)	(unaudited)
Central China	4,340,828	4,408,573	615,948	841,638
Northeastern China	980,205	1,324,188	12,038	157,786
Total	<u>5,321,033</u>	<u>5,732,761</u>	<u>627,986</u>	<u>999,424</u>
Unallocated corporate administrative expenses			<u>(17,963)</u>	<u>(11,599)</u>
Profit before tax			<u>610,023</u>	<u>987,825</u>

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

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

6. OTHER INCOME

	For the six months ended 30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Value-added tax refund	101,648	140,491
Incentive subsidies	35,430	2,515
Interest on bank deposits	47,906	36,915
Interest income from loans to an associate	3,758	4,291
Rental income	17,833	13,339
Reversal of deferred income	5,003	746
Income from sundry operations	160,256	119,161
Software service income	18,452	15,935
Others	1,065	2,002
	<u>391,351</u>	<u>335,395</u>

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange gain/(loss), net	(101,907)	20,719
Gain on disposal of property, plant and equipment, net	<u>326</u>	<u>458</u>
	<u>(101,581)</u>	<u>21,177</u>

8. FINANCE COSTS

	For the six months ended 30 June	
	2022	2021
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	310,325	302,514
Bills discounted with recourse	144,622	146,186
Guaranteed notes	56,063	53,963
Long-term corporate bonds	2,184	2,124
Lease liabilities	<u>587</u>	<u>1,513</u>
	513,781	506,300
Less: amounts capitalised	<u>(3,967)</u>	<u>(471)</u>
	<u>509,814</u>	<u>505,829</u>

The borrowing costs on general borrowing pool capitalised are calculated by applying a capitalisation rate of 6.01% per annum (same period of 2021: 6.54% per annum) for the period ended 30 June 2022.

9. INCOME TAX EXPENSE

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
PRC Enterprise Income Tax (“EIT”)		
— current interim period	118,558	199,069
— under (over) provision in prior years	107	(6,334)
	<u>118,665</u>	<u>192,735</u>
Deferred tax	(4,394)	80
	<u>114,271</u>	<u>192,815</u>

Some subsidiaries of the Group operating in the PRC are eligible for preferential tax rate of 15% under relevant preferential tax policy for high-technology enterprises starting from financial years 2020 and 2021 for a period of 3 years.

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2021: 25%).

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

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

	For the six months ended	
	30 June	
	2022	2021
	<i>RMB'000</i>	<i>RMB'000</i>
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	420,191	400,886
Amortisation of right-of-use assets	21,308	20,366
Amortisation of mining rights, included in cost of sales	21,300	10,570
	<u>462,799</u>	<u>431,822</u>
Total depreciation and amortisation, in aggregate		
Cost of inventories recognised as an expense	3,872,035	3,978,880
Staff costs including retirement benefit	269,111	269,907
	<u>3,872,035</u>	<u>3,978,880</u>
	<u>269,111</u>	<u>269,907</u>

11. EARNINGS PER SHARE

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

	For the six months ended 30 June	
	2022 <i>RMB'000</i> (unaudited)	2021 <i>RMB'000</i> (unaudited)
Earnings		
Profit for the period attributable to owners of the Company	<u>456,536</u>	<u>751,571</u>
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	<u>2,938,282</u>	<u>2,938,282</u>

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

12. DIVIDENDS

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

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade receivables	610,089	234,797
Less: allowance for bad debts losses	<u>(54,597)</u>	<u>(54,597)</u>
	555,492	180,200
Bills receivables	2,505,453	3,269,271
Other receivables	<u>5,045,849</u>	<u>4,901,779</u>
	<u>8,106,794</u>	<u>8,351,250</u>

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

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 90 days	526,155	144,063
91–180 days	16,375	16,112
181–365 days	11,542	18,863
1 year to 2 years	1,420	1,162
	<u>555,492</u>	<u>180,200</u>

14. TRADE AND OTHER PAYABLES

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Trade payables	679,807	721,593
Bills payables	3,015,594	2,676,427
Other payables and accrued expenses	810,180	875,552
	<u>4,505,581</u>	<u>4,273,572</u>

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

	As at 30 June 2022 <i>RMB'000</i> (unaudited)	As at 31 December 2021 <i>RMB'000</i> (audited)
Within 1–90 days	320,556	317,532
91–180 days	162,359	188,717
181–365 days	109,996	119,501
Over 1 year	86,896	95,843
	<u>679,807</u>	<u>721,593</u>

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2022, the international situation was complex and the macroeconomic environment was weak, while domestically, COVID-19 cases scattered across the country and the prevention and control situation was intensive. The further decrease in the investment in real estate development in China caused the fall of domestic cement demand. In addition, the domestic cement prices continued to decline from a high level and showed a downward trend, while coal prices stayed at a high level since the end of last year, leading to high cement costs.

In the first half of 2022, generally in line with the industry, the performance of the Group declined in the first half of the year. In the face of the above unfavorable factors, the Group actively strengthened cost management and adjusted market strategies according to the changes in market situation, so as to minimise the impact of the above factors on its performance, and the extent of decline in the performance is expected to be at a moderate level among the industry peers.

As of 30 June 2022, the Group possessed clinker production capacity of 28.4 million tonnes, cement production capacity of 56.4 million tonnes and production capacity of limestone aggregate of 20.2 million tonnes.

In the first half of 2022, the sales volume of cement of the Group amounted to 13.4 million tonnes, representing a decrease of approximately 4.1 million tonnes or approximately 23.4% as compared with approximately 17.5 million tonnes in the same period of 2021. The average price was approximately RMB322.7 per tonne, representing an increase of RMB32.3 per tonne or 11.1% as compared with the same period of last year.

In the first half of 2022, the sales volume of limestone aggregate of the Group amounted to approximately 13.8 million tonnes, representing an increase of approximately 5.2 million tonnes or 61.5% as compared with approximately 8.6 million tonnes in the same period of 2021. The average price was approximately RMB38.5 per tonne, representing a decrease of RMB14.6 per tonne or 27.5% as compared with the same period of last year.

In the first half of 2022, the Group sold approximately 1.4 million tonnes of clinker externally, representing an increase of 0.7 million tonnes as compared with approximately 0.7 million tonnes in the same period of 2021. During the period, the clinker produced by the Group was mainly used to meet the Group's internal need of cement production.

In the first half of 2022, the Group recorded a revenue of RMB5,321.0 million, representing a decrease of approximately RMB411.8 million or 7.2% as compared with the same period of 2021. The profit attributable to owners of the Company amounted to approximately RMB456.5 million, representing a decrease of approximately RMB295.1 million or approximately 39.3% from approximately RMB751.6 million in the same period of 2021.

BUSINESS ENVIRONMENT

According to the statistics of the National Bureau of Statistics, the gross domestic product (GDP) for the first half of 2022 was RMB56.2642 trillion, representing an increase of 2.5% as compared with the same period of last year. The fixed assets investment of the PRC (excluding rural household) grew by 6.1% year-on-year to RMB27.1430 trillion. The investment in infrastructure (excluding electricity, heat, gas and water production and supply) recorded a year-on-year increase of 7.1%. The investment in domestic real estate development recorded RMB6.8314 trillion, representing a year-on-year decrease of 5.4%; the area under construction by real estate developers decreased by 2.8% year-on-year, while the area of new property construction decreased by 34.4% year-on-year.

According to the statistics of the statistics department of the PRC, Henan Province's gross domestic product (GDP) for the first half of 2022 was RMB3.075720 trillion, representing a year-on-year increase of 3.1%, and was 0.6 percentage points higher than the national level. Its investment in fixed assets increased by 10.3% year-on-year, which was 4.2 percentage points higher than the national level, ranking 7th in the country. The investment in infrastructure grew by 6.8%. The investment in real estate development decreased by 0.4%; the area under construction by real estate developers decreased by 4.0% year-on-year, while the area of new property construction decreased by 23.1% year-on-year.

According to the statistics of the statistics department of the PRC, Liaoning Province's GDP for the first half of 2022 was RMB1.31729 trillion, representing a year-on-year increase of 1.5%. On a year-on-year basis, its investment in fixed assets grew by 3.0% whereas its investment in infrastructure grew by 50.3%.

From the analysis of statistical data, in the first half of 2022, the national and regional real estate investment decreased, which had a certain impact on the cement industry and the business of the Group. Growth was maintained in the investment of fixed assets and infrastructure, which provided certain support for the cement industry and the business of the Group.

CEMENT INDUSTRY

In the first half of 2022, the cement demand declined in the PRC. In terms of the corresponding production volume data, according to the data of the National Bureau of Statistics, in the first half of 2022, the accumulated cement production volume of the PRC was 977 million tonnes, representing a year-on-year decrease of 15%, as compared with the increase of 14.1% in the same period of last year. There was a significant year-on-year decline in the production volume of cement in different regions of the country, among them, Northeastern China and Southwestern China recorded the largest decline of exceeding 20%; followed by Northern China, Eastern China and Central Southern China with 15.11%, 12.56% and 13.29%, respectively. The decrease in sales volume was mainly due to the impact of the scattered COVID-19 cases across the country and the lack of construction projects commenced in the real estate industry.

In the first half of 2022, the domestic cement price continued to decline from a high level and showed a downward trend. According to the data of and analysis from China Cement Association and Digital Cement, the average price was RMB499 per tonne (market price, same as below) in the national cement market in the first half of the year, representing a significant decrease of 10.6% as compared with the end of last year. The core reasons for the excessive decline in price are as follows: firstly, under the weak macroeconomic environment, the area of new property construction decreased dramatically and the demand for cement remained weak. Secondly, following the resurgence of the pandemic in many places across the country and the strict prevention and control measures, the construction progress of construction sites were hindered, resulting in a further decline in the already-sluggish demand. Thirdly, extreme weather such as continuous rainstorms and floods occurred in some regions; hence, market transactions were restricted in certain periods.

In the first half of 2022, in terms of costs, the cement industry faced cost pressure, mainly due to the price of coal, which remained at a high level, together with the increase in logistics and other costs affected by the rise in oil prices. The production cost of cement increased significantly as compared with the same period of last year.

In the first half of 2022, according to the analysis from China Cement Association, the cement industry performance declined significantly, the average cement price in the country was slightly higher than that of the same period of last year. However, due to the sharp rise in coal costs as compared with the first half of last year, the cement production cost drove up and the industry performance declined significantly. It is expected that the industry performance in the first half of the year will decline by nearly 50% year-on-year.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,321.0 million in the first half of 2022, representing a decrease of RMB411.8 million, or 7.2%, from approximately RMB5,732.8 million in the same period of 2021.

Among others, the revenue from cement sales was approximately RMB4,329.9 million, representing a decrease of 14.9%, as compared with approximately RMB5,086.1 million in the same period of 2021. The Group's sales volume of cement decreased by 4.1 million tonnes, or 23.4%, from approximately 17.5 million tonnes in the first half of 2021 to approximately 13.4 million tonnes in the same period of 2022. The decrease in revenue was mainly due to the decrease in sales volume of cement.

Revenue from sales of limestone aggregate amounted to approximately RMB532.5 million, representing an increase of RMB77.8 million, or 17.1%, from approximately RMB454.7 million in the same period of 2021. The sales volume of aggregate amounted to approximately 13.8 million tonnes, representing an increase of approximately 5.2 million tonnes or 61.5% as compared with approximately 8.6 million tonnes in the same period of 2021. The increase in revenue was mainly attributable to the increase in sales volume of aggregate.

Clinker is a semi-finished product used to produce cement. The Group's clinkers produced in the first half of 2022 were primarily used to satisfy the internal demand for cement production, and only approximately 1.4 million tonnes of clinkers were sold externally. Approximately RMB458.6 million of revenue generated from the Group's clinker sales was recorded in the first half of 2022, representing an increase of RMB266.6 million, or 138.9%, from approximately RMB192.0 million in the same period of 2021. The increase in revenue was mainly due to the increase in both sales volume and sales price of clinkers.

In the first half of 2022, the Group's sales revenue from the Central China region amounted to approximately RMB4,340.8 million, representing a decrease of RMB67.8 million or 1.5% as compared with approximately RMB4,408.6 million in the same period of 2021. The Group's sales revenue from the Northeastern China region amounted to approximately RMB980.2 million, representing a decrease of RMB344.0 million or 26.0% as compared with approximately RMB1,324.2 million in the same period of 2021.

In the first half of 2022, revenue from the Group's sales of cement, clinker and limestone aggregate accounted for approximately 81.4% (same period of 2021: 88.7%), 8.6% (same period of 2021: 3.3%) and 10.0% (same period of 2021: 8.0%) of the total revenue, respectively.

Cost of Sales

There was a continuous increase in the price of rough coal during the first half of 2022. The Group minimised the effect of the increase in the prices of rough coal and other raw materials on the unit production costs of cement and clinker by leveraging its economies of scale and through centralised procurement. The Group's cost of sales was approximately RMB3,872.0 million during the Reporting Period, representing a decrease of RMB106.9 million or 2.7% as compared with the first half of 2021. The decrease was primarily due to the decrease in the cement sales and the purchasing prices of certain raw materials.

The Group's cost of sales mainly consists of cost of raw materials, coal and electricity. In the first half of 2022, the Group's costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 30.5% (first half of 2021: 40.4%), 49.0% (first half of 2021: 36.8%) and 11.5% (first half of 2021: 12.6%), respectively. During the Reporting Period, the Group's costs of raw materials, coal and electricity consumed for one tonne of cement and clinker produced were RMB75.4 (first half of 2021: RMB84.4), RMB121.4 (first half of 2021: RMB77.0) and RMB28.4 (first half of 2021: RMB26.4), respectively, representing a decrease of RMB9.0, an increase of RMB44.4 and an increase of RMB2.0, respectively, as compared with the same period of 2021.

Gross Profit, Gross Profit Margin and Segment Profit

The Group's gross profit was approximately RMB1,449.0 million in the first half of 2022, representing a decrease of RMB304.9 million, or 17.4%, from approximately RMB1,753.9 million in the same period of last year. The Group's gross profit margin decreased to 27.2% in the first half of 2022, as compared with 30.6% in the same period of 2021. The decrease in gross profit margin was primarily due to the increase in unit cost of cement in the first half of 2022.

In the first half of 2022, the Group's segment profit from the Central China Region amounted to approximately RMB615.9 million, representing a decrease of approximately RMB225.7 million or 26.8% as compared with approximately RMB841.6 million in the same period of 2021. The decrease was due to the decrease in sales volume and increase in unit cost of cement in the region. The Group's segment profit from the Northeastern region amounted to approximately RMB12.0 million, representing a decrease of RMB145.8 million or 92.4% as compared with a segment profit of approximately RMB157.8 million in the same period of 2021. The decrease in segment profit was mainly attributable to the decrease in sales volume and increase in unit cost of cement in the Northeastern region.

Other Income

Other income was approximately RMB391.4 million for the first half of 2022, representing an increase of RMB56.0 million, or 16.7%, from approximately RMB335.4 million for the same period of 2021. The increase was primarily due to the increase in revenue from sales of materials under other gains, net.

Selling and Distribution Expenses

In the first half of 2022, the Group's selling and distribution expenses were approximately RMB158.1 million, representing a decrease of RMB42.3 million or 21.1% as compared with approximately RMB200.4 million for the same period of 2021. This was mainly due to the decrease in sales volume of cement which has led to a decrease in transportation cost and packaging cost.

Administrative Expenses

Administrative expenses of the Group were approximately RMB462.7 million for the first half of 2022, representing an increase of RMB37.5 million, or 8.8%, from approximately RMB425.2 million for the same period of 2021. The increase in administrative expenses was mainly due to the amortisation of intangible assets and the increase in relevant expenses as a result of the implementation of "Green Mines" project.

Finance Costs

Finance costs were approximately RMB509.8 million for the first half of 2022, representing an increase of RMB4.0 million, or 0.8%, from approximately RMB505.8 million for the first half of 2021, which was generally stable as compared with the same period of last year.

Foreign Exchange Gain/loss

During the Reporting Period, the Group recorded foreign exchange loss of RMB102 million (same period of 2021: gain of RMB21 million), which was due to the fact that certain loans of the Group were denominated in US\$ and the appreciation of US\$ against RMB during the Reporting Period.

Profit before Tax

As a result of the foregoing, the Groups' profit before tax was approximately RMB610.0 million for the first half of 2022, representing a decrease of approximately RMB377.8 million, or approximately 38.2%, from approximately RMB987.8 million for the same period of 2021.

Income Tax Expenses

Income tax expenses of the Group were approximately RMB114.3 million for the first half of 2022, representing a decrease of RMB78.5 million, or 40.7%, from approximately RMB192.8 million for the same period of 2021. This was mainly due to a decrease in 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 first half of 2022 was approximately RMB456.5 million, representing a decrease of RMB295.1 million, or 39.3%, from approximately RMB751.6 million for the same period of 2021. The net profit margin for the first half of 2022 was 8.6%, representing a decrease of 4.5 percentage points as compared with the same period of 2021.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB8,351.3 million as at 31 December 2021 to RMB8,106.8 million as at 30 June 2022, mainly due to the recovery of cash from bills receivables matured at the end of the previous period, which leads to decrease in the amount of bills receivables at the end of the current period.

Inventories

Inventories increased from RMB850.7 million as at 31 December 2021 to RMB1,283.9 million as at 30 June 2022, primarily due to the increase in inventory stock and unit cost.

Amount Due from Associates

The amounts due from associates of approximately RMB1,058.3 million as of 30 June 2022 (31 December 2021: approximately RMB1,447.5 million) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited for the clinker purchased under the Clinker Supply Framework Agreement, and shareholder loan due from an associate, China United Cement Xinan Wanji Co., Ltd which is indirectly held as to 49% by the Company.

Cash and Cash Equivalents

Cash and bank balance increased from RMB2,310.6 million as at 31 December 2021 to RMB2,497.2 million as at 30 June 2022, primarily due to the effect of cash inflow from operating activities, net of cash outflow from investing activities and financing activities.

Trade and Other Payables

Trade and other payables increased from RMB4,273.6 million as at 31 December 2021 to RMB4,505.6 million as at 30 June 2022, mainly due to the increase in the balance of bills payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB10,265.8 million as at 30 June 2022, representing a decrease of approximately RMB398.9 million from RMB10,664.7 million as at 31 December 2021. Borrowings due within one year, guaranteed mid-term bills and other financial liabilities decreased from RMB8,099.8 million as at 31 December 2021 to RMB7,509.0 million as at 30 June 2022. Borrowings due after one year, long-term corporate bonds and other financial liabilities increased from RMB2,564.9 million as at 31 December 2021 to RMB2,756.8 million as at 30 June 2022, representing an increase of approximately 7.5%.

Principal Sources of Liquidity

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

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

As at 30 June 2022, the Group's gearing ratio was 49.8%, representing a decrease of 1.0 percentage points from 50.8% as at 31 December 2021. The change of gearing ratio was due to the increase in equity of the owners.

As at 30 June 2022, the Group's current ratio was 1.4, representing an increase of 8.3% from 1.3 as at 31 December 2021; the Group's quick ratio was 1.3, representing an increase of 5.9% from 1.2 as at 31 December 2021.

As at 30 June 2022, the Group's debt equity ratio was 1.0, which remained the same at 1.0 as at 31 December 2021.

Notes:

1. Gearing ratio = total liabilities/total assets x 100%
2. Current ratio = current assets/current liabilities
3. Quick ratio = (current assets-inventory)/current liabilities
4. Debt equity ratio = total liabilities/equity interest, of which, equity interest includes minority interest or non-controlling interest

NET GEARING RATIO

As at 30 June 2022, the Group's net gearing ratio was approximately 16.3%, representing a decrease of 8.5 percentage points from 24.8% as at 31 December 2021. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the first half of 2022 was approximately RMB250.5 million (first half of 2021: approximately RMB136.3 million) and capital commitments as at 30 June 2022 was approximately RMB376.6 million (as at 31 December 2021: approximately RMB334.9 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2022, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB5,441.9 million (as at 31 December 2021: approximately RMB4,259.1 million).

FINANCIAL GUARANTEES

As at 30 June 2022, the Group has provided approximately RMB1,622.0 million (as at 31 December 2021: approximately RMB1,863.6 million) of authorised financial guarantees to related parties, among which approximately RMB1,013.2 million (as at 31 December 2021: approximately RMB1,182.7 million) have been utilised. The Group did not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2019 Framework Agreement in relation to provision of mutual guarantees, the details of which are set out in the circular of the Company dated 5 December 2019.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

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

MATERIAL LITIGATION

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

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

There is no important event affecting the Group since the end of the Reporting Period.

MARKET RISKS

Exchange Rate Risk

Certain bank balances and borrowings of the Group are denominated in Hong Kong Dollar (“**HK\$**”) or United States Dollar (“**US\$**”), therefore are subject to exchange rate fluctuation exposure. Currently, the Group does not have any hedging policy on foreign currency in relation to foreign currency exposure. However, the management will closely monitor risks associated to HK\$ and US\$ and will consider to hedge material currency exposure if necessary.

Interest Rate Risk

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

Liquidity Risk

The Group has established an appropriate liquidity risk management system for its short, medium and long-term funding and liquidity management requirements. We manage the liquidity risk by monitoring and maintaining a level of cash and cash equivalents deemed adequate by the management to finance the operations and mitigate the effects of fluctuations in (both actual and forecasted) cash flows. Our management also monitor the utilisation of bank borrowings and ensure compliance with loan covenants.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2022, the Group had 7,384 employees (as at 30 June 2021: 7,434). As at 30 June 2022, the employees' cost (including remuneration) was approximately RMB269.1 million (first half of 2021: approximately RMB269.9 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

At present, the cement industry is facing challenges, as complicated by the complex international situation, the lasting impact of domestic epidemic and the pressurised economic growth. Facing the current situation, in accordance with the guiding principle of China Cement Association, it is an effective and direct measure for the cement industry to get through the difficulties by making peak-shifting production, reducing inventory, and avoiding disordered low-price competition.

From the perspective of industry development, and taking into account of the development trend of the cement industry, the government and the industry may have to further promote policies and measures to resolve excess capacity. At the same time, the improvement of industry concentration, optimisation of market layout and integration of mine resources are the focus of supply-side structural adjustment of the industry, and it is a favorable time for market consolidation from the perspective of the large enterprise groups.

In the second half of 2022, according to the prediction and analysis from the Information Research Center of China Cement Association and Digital Cement, the cement industry may show the following trends in terms of demand, supply and price:

1. From the demand perspective, the most difficult times of the industry may have passed, providing a basis for the rebounding of both volume and price. In the second half of the year, with the easing of pandemic prevention and control measures in various regions, the government will re-focus on stabilizing growth, fully expand domestic demand, and play a key role in effective investment. Investment in infrastructure will continue to increase, and the excessive decrease in demand will be restored to support the increase in cement demand. At the same time, considering that the new construction of real estate is still weak, it is expected that the cement demand in the second half of the year will remain stable or slightly increase year-on-year.
2. From the supply perspective, in response to the changing demand, enterprises in the cement industry across the country will introduce a series of measures to stabilise growth in the second half of the year. Measures to further increase the peak-shifting production capacity have been implemented in many regions, which will effectively reduce the inventory of cement to a reasonable range, and provide support for the stable growth of the industry in the fourth quarter and even the whole year.
3. From the perspective of price movement, following the sharp decline in cement price in June, the cement price in various regions would reach bottom in July. With the gradual improvement of downstream demand and the increase in the peak-shifting production capacity by enterprises in July and August, rigid and precise peak-shifting production will lower the inventory, and the industry is expected to gradually regain a restorative increase of cement price.

Recently, the state and some departments have successively convened relevant meetings to expand effective investment as the key deployment target for stabilizing the economy in the second half of the year. According to the Securities Times, a total of 3,876 major construction projects commenced in 43 provinces, cities and districts (counties) in July, with a total investment of RMB2.393059 trillion. Among them, infrastructure projects have become one of the key fields where construction commenced intensively. In particular, Henan Province ranked second with a total investment of RMB623.3 billion, and ranked first in terms of number of projects. On 9 August, the General Office of the People's Government of Henan Province issued a work plan to accelerate the infrastructure construction and stabilise the overall economy in all aspects. In Henan Province, an investment of approximately RMB4.22 trillion will be made so as to commence the construction of 602 key infrastructure construction projects, of which 84 major infrastructure projects with a total investment of RMB137.3 billion will be commenced by the end of September.

The Group will actively adapt to the national policy of “expanding investment and stabilizing economy”, seize the opportunities in the second half of the year and in the future, and work with the industry to cope with the current industry situation, arrange peak-shifting production, maintain market order and improve corporate efficiency. Regarding development strategies, as a large enterprise in the industry, the Group will actively participate in and implement industry policies, further improve industry concentration, optimise market layout, integrate mine resources, extend industrial chain and lay a foundation for future development. On transformation and upgrading, it will continue to develop towards the direction of “green” and “intelligent” enterprise, and to maintain and enhance its core competitiveness.

CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

Corporate Governance

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

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

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to the moment. The Company is actively looking for a new chief executive officer. In the meantime, the Board of the Company established an executive committee (the “**Executive Committee**”), which was composed of three executive Directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group. The chairman of the Board is not included in the Executive Committee and this ensures that the authority will not be concentrated in one person.

COMPLIANCE WITH MODEL CODE BY DIRECTORS

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

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

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

INTERIM DIVIDEND

The Directors of the Company did not recommend the declaration of any interim dividend for the Reporting Period (30 June 2021: 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 2022. The financial information in the condensed consolidated financial statements of the interim results have not been audited or reviewed by the auditors of the Company.

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

Hong Kong, 19 August 2022

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