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 2023

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2023	2022	Percentage
	RMB'000	*RMB'000*	of Change
Revenue	**3,998,558**	5,321,033	–24.9%
Gross profit	**940,131**	1,448,998	–35.1%
Profit	**155,390**	495,752	–68.7%
Of which: Profit attributable to owners of the Company	**150,521**	456,536	–67.0%
Basic earnings per share *(RMB)*	**0.05**	0.16	–67.0%

	As at 30 June 2023	As at 31 December 2022	Percentage of Change
	RMB'000	*RMB'000*	
Total assets	**32,826,801**	32,343,592	1.5%
Of which: Current assets	**17,566,906**	16,874,102	4.1%
Total liabilities	**16,081,317**	15,753,498	2.1%
Of which: Current liabilities	**12,382,942**	13,521,730	–8.4%
Total equity	**16,745,484**	16,590,094	0.9%
Of which: Equity attributable to owners of the Company	**16,465,347**	16,314,826	0.9%

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 2023 (the "**Reporting Period**"), together with the comparative figures for the six-month period ended 30 June 2022, as follows:

CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the six months ended 30 June 2023

		For the six months ended 30 June	
		2023	2022
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	3, 4	**3,998,558**	5,321,033
Cost of sales		**(3,058,427)**	(3,872,035)
Gross profit		**940,131**	1,448,998
Other income	5	**258,053**	391,351
Other gains and losses	6	**(21,333)**	(101,581)
Share of profit of associates		**1,898**	8,324
Selling and distribution expenses		**(164,253)**	(158,066)
Administrative expenses		**(446,706)**	(462,682)
Other expenses		**(2,917)**	(6,507)
Finance costs	7	**(409,254)**	(509,814)
Profit before tax		**155,619**	610,023
Income tax expense	8	**(229)**	(114,271)
Profit and total comprehensive income for the period	9	**155,390**	495,752
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**150,521**	456,536
Non-controlling interests		**4,869**	39,216
		155,390	495,752
Earnings per share			
Basic *(RMB)*	10	**0.05**	0.16

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 30 June 2023

	Notes	**As at 30 June 2023** ***RMB'000*** **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**9,449,111**	9,768,770
Long-term prepayments and deposits		**345,523**	350,664
Right-of-use assets		**981,823**	993,444
Mining rights		**1,610,257**	1,485,269
Goodwill		**284,233**	284,233
Other intangible assets		**14,000**	14,000
Interests in associates		**1,098,204**	1,086,802
Derivative financial instruments		**495**	495
Deferred tax assets		**109,534**	109,613
Pledged bank balances		**26,895**	26,895
Amounts due from associates		**419,147**	428,632
Other prepayments		**920,673**	920,673
Sub-total of non-current assets		**15,259,895**	15,469,490
CURRENT ASSETS			
Inventories		**1,047,708**	1,042,962
Trade and other receivables	12	**8,689,133**	9,240,184
Amounts due from associates		**903,043**	1,017,335
Financial assets at fair value through profit or loss		**10,070**	38,901
Pledged bank balances		**5,927,023**	4,546,923
Cash, deposits and bank balances		**989,929**	987,797
Sub-total of current assets		**17,566,906**	16,874,102

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
CURRENT LIABILITIES			
Trade and other payables	13	**4,148,515**	4,403,336
Contract liabilities		**524,845**	571,383
Lease liabilities due within one year		**2,161**	3,579
Other financial liabilities		**898,261**	1,175,772
Loan from an associate due within one year		**820,000**	870,000
Borrowings due within one year		**5,824,910**	6,150,439
Long-term corporate bonds due within one year		**7,376**	29,478
Current tax liabilities		**143,082**	302,362
Financial guarantee contracts		**13,792**	15,381
Sub-total of current liabilities		**12,382,942**	13,521,730
NET CURRENT ASSETS		**5,183,964**	3,352,372
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,443,859**	18,821,862
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**16,441,164**	16,290,643
Equity attributable to owners of the Company		**16,465,347**	16,314,826
Non-controlling interests		**280,137**	275,268
TOTAL EQUITY		**16,745,484**	16,590,094

	Notes	As at 30 June 2023 RMB'000 (unaudited)	As at 31 December 2022 RMB'000 (audited)
NON-CURRENT LIABILITIES			
Borrowings due after one year		**2,879,699**	1,397,015
Lease liabilities due after one year		**5,064**	5,618
Deferred tax liabilities		**155,220**	159,218
Deferred income		**200,938**	192,416
Provision for environmental restoration		**60,611**	54,408
Other long-term payables		**396,843**	423,093
Sub-total of non-current liabilities		**3,698,375**	2,231,768
TOTAL ASSETS LESS CURRENT LIABILITIES		**20,443,859**	18,821,862

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 parent 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 functional currency of the Company.

2. BASIS OF PREPARATION AND PRINCIPAL ACCOUNTING POLICIES

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**").

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

Other than additional/change in accounting policies resulting from application of new and amendments to International Financial Reporting Standards ("**IFRSs**") issued by IASB, and application of certain accounting policies which became relevant to the Group in the current interim period, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2023 are the same as those presented in the Group's annual consolidated financial statements for the year ended 31 December 2022.

In the current interim period, the Group has applied the following new and 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 2023 for the preparation of the Group's condensed consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform-Pillar Two Model Rules*

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

Impacts and changes in accounting policies on application of Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

Accounting policies

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill. For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the lease liabilities, and the related assets separately. The Group recognises a deferred tax asset related to lease liabilities to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised and a deferred tax liability for all taxable temporary differences.

Transition and summary of effects

As disclosed in the Group's annual financial statements for the year ended 31 December 2022, the Group previously applied the IAS 12 requirements to assets and liabilities arising from a single transaction separately and temporary differences on initial recognition on the relevant assets and liabilities were not recognised due to application of the initial recognition exemption. In accordance with the transition provision:

(i) the Group has applied the new accounting policy retrospectively to leasing transactions that occurred on or after 1 January 2022;

(ii) the Group also, as at 1 January 2022, recognised a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary difference associated with right-of-use-assets and lease liabilities.

The application of the amendments has had no material impact on the Group's financial position and performance.

3. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2023	For the six months ended 30 June 2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**3,077,482**	4,329,912
Sales of clinker	**188,509**	458,644
Sales of limestone aggregate	**732,567**	532,477
	3,998,558	5,321,033
Revenue recognition at a point in time	**3,998,558**	5,321,033

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.

4. 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 are 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 segments:

	Segment revenue For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2023	2022	**2023**	2022
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**3,289,198**	4,340,828	**160,448**	615,948
Northeastern China	**709,360**	980,205	**4,350**	12,038
Total	**3,998,558**	5,321,033	**164,798**	627,986
Unallocated corporate administrative expenses			**(9,179)**	(17,963)
Profit before tax			**155,619**	610,023

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.

5. OTHER INCOME

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**60,033**	101,648
Incentive subsidies	**16,610**	35,430
Interest on bank deposits	**52,848**	47,906
Interest income from loans to an associate	**472**	3,758
Rental income	**5,304**	17,833
Reversal of deferred income	**4,982**	5,003
Income from sundry operations	**111,730**	160,256
Software service income	**3,375**	18,452
Others	**2,699**	1,065
	258,053	391,351

6. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange loss, net	**(23,301)**	(101,907)
Gain on disposal of property, plant and equipment, net	**1,968**	326
	(21,333)	(101,581)

7. FINANCE COSTS

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	**308,147**	310,325
Bills discounted with recourse	**100,145**	144,622
Guaranteed notes	**—**	56,063
Long-term corporate bonds	**679**	2,184
Lease liabilities	**283**	587
	409,254	513,781
Less: amounts capitalised	**—**	(3,967)
	409,254	509,814

The borrowing costs on general borrowing pool capitalised are calculated by applying a capitalisation rate of 5.71% per annum (same period of 2022: 6.01% per annum) for the period ended 30 June 2023.

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("**EIT**")		
— current interim period	**5,648**	118,558
— under (over) provision in prior years	**(1,500)**	107
Deferred tax	**(3,919)**	(4,394)
	229	114,271

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 for a period of three years commencing from the financial year in which the high-technology enterprise certificate was approved.

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% (2022: 25%).

9. 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**384,248**	420,191
Amortisation of right-of-use assets	**15,294**	21,308
Amortisation of mining rights, included in cost of sales	**32,917**	21,300
Total depreciation and amortisation, in aggregate	**432,459**	462,799
Cost of inventories recognised as an expense	**3,058,427**	3,872,035
Staff costs including retirement benefit	**272,128**	269,111

10. 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	
	2023	2022
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company	**150,521**	456,536

	For the six months ended 30 June	
	2023	2022
	'000	*'000*
	(unaudited)	(unaudited)
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	**2,938,282**	2,938,282

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

11. 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.

12. TRADE AND OTHER RECEIVABLES

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Trade receivables	**241,881**	159,599
Less: allowances for bad debts losses	**(50,238)**	(50,238)
	191,643	109,361
Other receivables	**322,234**	376,284
Less: allowances for credit losses	**(52,967)**	(52,967)
	269,267	323,317
Bills receivables	**2,736,960**	3,158,012
Advances to suppliers	**6,378,618**	6,538,800
Prepayments for various taxes	**33,318**	31,367
	9,609,806	10,160,857
Less: Prepayments to suppliers classified under non-current assets	**(920,673)**	(920,673)
	8,689,133	9,240,184

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

	As at 30 June 2023 *RMB'000* (unaudited)	As at 31 December 2022 *RMB'000* (audited)
Within 90 days	**180,559**	108,638
91–180 days	**10,995**	635
181–365 days	**6**	—
1 year to 2 years	**83**	88
Total	**191,643**	109,361

13. TRADE AND OTHER PAYABLES

	As at 30 June 2023 *RMB'000* **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Trade payables	**853,148**	993,114
Bills payables	**2,699,590**	2,668,575
Construction costs payables	**280,701**	441,651
Other tax payables	**147,399**	130,665
Other long-term payables — current portion	**69,370**	69,370
Other payables and accrued expenses	**98,307**	99,961
	4,148,515	4,403,336

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 2023 *RMB'000* **(unaudited)**	As at 31 December 2022 *RMB'000* (audited)
Within 1–90 days	**615,464**	725,347
91–180 days	**73,263**	62,567
181–365 days	**63,939**	85,577
Over 1 year	**100,482**	119,623
Total	**853,148**	993,114

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2023, given the weak macroeconomic conditions, the domestic demand for cement declined, the prices of cement products dropped and the performance of the cement industry declined in general. Facing the current industry situation, 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 close to the average level among the industry peers.

As of 30 June 2023, 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 30.2 million tonnes.

In the first half of 2023, the sales volume of cement products of the Group amounted to 12.0 million tonnes, representing a decrease of approximately 1.4 million tonnes or approximately 10.5% as compared with approximately 13.4 million tonnes in the same period of 2022. The average price was approximately RMB256.1 per tonne, representing a decrease of RMB66.6 per tonne or 20.6% as compared with the same period of last year.

In the first half of 2023, the sales volume of limestone aggregate of the Group amounted to approximately 21.5 million tonnes, representing an increase of approximately 7.7 million tonnes or 55.4% as compared with approximately 13.8 million tonnes in the same period of 2022. The average price was approximately RMB34.1 per tonne, representing a decrease of RMB4.4 per tonne or 11.4% as compared with the same period of last year.

In the first half of 2023, the Group sold approximately 0.7 million tonnes of clinker externally, representing a decrease of 0.7 million tonnes as compared with approximately 1.4 million tonnes in the same period of 2022. 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 2023, the Group recorded a revenue of RMB3,998.6 million, representing a decrease of approximately RMB1,322.4 million or 24.9% as compared with the same period of 2022. The profit attributable to owners of the Company amounted to approximately RMB150.5 million, representing a decrease of approximately RMB306.0 million or approximately 67.0% from approximately RMB456.5 million in the same period of 2022.

BUSINESS ENVIRONMENT

On 15 and 16 December 2022, the Central Economic Work Conference was held in Beijing. The conference emphasized that in next year it is necessary to adhere to stability and seek progress while maintaining stability, continue to implement proactive fiscal policies and prudent monetary policies, increase macro policy control efforts, strengthen the coordination in various policies and form a joint force to promote high-quality development. The conference also pointed out the need to effectively prevent and mitigate major economic and financial risks, ensure the stable development of the real estate market and guarantee the delivery of property, people's livelihood and stability.

According to the statistics of the National Bureau of Statistics, the gross domestic product (GDP) for the first half of 2023 was RMB59.3034 trillion, representing an increase of 5.5% as compared with the same period of last year. The fixed assets investment of the PRC (excluding rural household) grew by 3.8% year-on-year to RMB24.3113 trillion. The investment in infrastructure (excluding electricity, heat, gas and water production and supply) recorded a year-on-year increase of 7.2%; of which investment in railway transportation increased by 20.5%, investment in water conservancy management increased by 9.6%, investment in road transportation increased by 3.1%, and investment in public facilities management increased by 2.1%. In terms of regions and on a year-on-year basis, investment in East China increased by 6.4%, investment in Central China decreased by 1.7%, investment in West China increased by 0.8%, and investment in Northeast China increased by 2.2%. The national investment in real estate development amounted to RMB5.8550 trillion, representing a year-on-year decrease of 7.9% (on a comparable basis); and the housing construction area of real estate developers was 7,915.48 million square metres, representing a year-on-year decrease of 6.6%. The area of new housing construction was 498.80 million square metres, representing a decrease of 24.3%; and the area of housing completed was 339.04 million square metres, representing an increase of 19.0%.

In the first half of 2023, the Henan Provincial Bureau of Statistics and the Henan Survey Team of the National Bureau of Statistics announced the economic operation of the province in the first half of the year. The production demand of the province recovered steadily, the transformation and upgrading continued to advance, and the economic operation showed a trend of steady progress, stable improvement and enhanced momentum. The gross domestic product (GDP) of Henan Province was RMB3.1326 trillion, representing a year-on-year increase of 3.8% at constant prices. In the first half of the year, the effective investment of the province grew steadily, and the driving effect of major project investments was enhanced. The investment completion of projects with a total value of RMB100 million or above in the province increased by 8.0% year-on-year, driving the investment of the province to increase by 4.5 percentage points. The industrial investment of the province increased by 5.1%, driving the investment of the province to increase by 1.4 percentage points, among which, the investment in automobile, equipment, construction materials, energy and other industries increased by 57.1%, 23.7%, 14.9% and 13.5%, respectively.

In the first half of 2023, according to the statistics of the Liaoning Provincial Bureau of Statistics and the unified accounting results of regional GDP, the province's GDP in the first half of the year was RMB1.39981 trillion, representing a year-on-year increase of 5.6% at constant prices, a growth rate of 0.9 percentage point over the first quarter and 0.1 percentage point higher than that of the country. The province's fixed asset investment increased by 5.0% year-on-year, 1.2 percentage points higher than that of the country. In terms of sectors, infrastructure investment increased by 19.7%, manufacturing investment increased by 8.2%, and investment in real estate development decreased by 23.4%.

From the analysis of statistical data, in the first half of 2023, the demand for cement in the real estate market was weak due to the decline in real estate investment, whereas growth maintained in fixed asset investment and infrastructure investment. In particular, investment in railway transportation and road transportation industry increased, and investment in water conservancy management sustained high growth, which provided important support for driving the cement demand.

CEMENT INDUSTRY

As shown by the analysis of the Information Research Center of China Cement Association and Digital Cement, in the first half of 2023, under the macro environment of global economic growth slowing down and domestic economy continuing to recover against insufficient market demand, the national cement market generally presented the operating trend of "weakening demand, high-inventory and low-price level, and declining efficiency". On a full-production basis, cement production decreased by 2.4% as compared with the previous year, representing a year-on-year decrease of approximately 24.0 million tonnes. In the first half of the year, cement demand was mainly driven by infrastructure investment. As real estate investment and new construction were insufficient, the cement demand of the real estate side was affected to a certain extent. A pattern of north-south differentiation was identified in the six major regional markets in the PRC. The cement production in the three major regions in North China showed a positive year-on-year growth, but the cement production in the three major regions in South China recorded a negative year-on-year growth, yet the overall decline was insignificant. Owing to the weak recovery of the southern regional market, which accounted for approximately 78% of cement consumption, the national cement market was weak.

In the first half of 2023, according to the statistics and analysis of the Information Research Center of China Cement Association and Digital Cement, the national monthly average price of cement market in general showed a tendency of continuous decline in a low range, representing a sharp decrease year-on-year. The decline was characterized by a weak recovery potential, accelerated falling towards a lower level and a record low. In terms of regions, in the first half of the year, the average cement price in the six major regions generally had a large decrease as compared with the same period of last year. In particular, the average cement price in East China and Central and South China was RMB430~441/tonne, representing a year-on-year decrease of RMB49~76/tonne, or approximately 10%~15%, of which the decrease in East China was higher and the price in Central and South China was the highest among the six major regions. The average cement price in Southwest China was RMB390/tonne, representing a year-on-year decrease of RMB36/tonne or 8.4%, which was the lowest price among the six major regions and the only region with a price below RMB400/tonne. The average cement price in North China, Northeast China and Northwest China was RMB403~434/tonne, representing a year-on-year decrease of RMB98~122/tonne, or approximately 19%~23%; and Northeast China was the one with the largest year-on-year decrease in price among the six major regions. The main reasons for the significant decrease in cement price were: firstly, the impact of a higher base in the first half of last year; secondly, a sharp decline in the area of new construction in the real estate sector, tight project funding, shrinking market demand, and expansion of the conflict between supply and demand; thirdly, continuous high-level inventory, weaker effectiveness of control efforts at the supply side and fierce competition; and fourthly, the impact of constant decrease of coal prices.

In the first half of 2023, the performance of the PRC cement industry continued to decline significantly and the profitability remained at a low level. According to the Information Research Center of China Cement Association and Digital Cement, it is expected that the profit of the PRC cement industry in the first half of the year will decrease by approximately 60% as compared with the same period of last year.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB3,998.6 million in the first half of 2023, representing a decrease of RMB1,322.4 million, or 24.9%, from approximately RMB5,321.0 million in the same period of 2022.

Among others, the revenue from cement sales was approximately RMB3,077.5 million, representing a decrease of 28.9% as compared with approximately RMB4,329.9 million in the same period of 2022. The Group's sales volume of cement decreased by 1.4 million tonnes, or 10.5%, from approximately 13.4 million tonnes in the first half of 2022 to approximately 12.0 million tonnes in the same period of 2023. The decrease in revenue was mainly due to the decrease in both sales volume and sales price of cement as affected by the sluggish market demand.

Revenue from sales of limestone aggregate amounted to approximately RMB732.6 million, representing an increase of RMB200.1 million, or 37.6%, from approximately RMB532.5 million in the same period of 2022. The sales volume of aggregate amounted to approximately 21.5 million tonnes, representing an increase of approximately 7.7 million tonnes or 55.4% as compared with approximately 13.8 million tonnes in the same period of 2022. The increase in revenue was mainly attributable to the increase in sales volume of aggregate as a result of the commissioning of the new aggregate production line.

Clinker is a semi-finished product used to produce cement. The Group's clinkers produced in the first half of 2023 were primarily used to satisfy the internal demand for cement production, and only approximately 0.7 million tonnes of clinkers were sold externally. Approximately RMB188.5 million of revenue generated from the Group's clinker sales was recorded in the first half of 2023, representing a decrease of RMB270.1 million, or 58.9%, from approximately RMB458.6 million in the same period of 2022. The decrease in revenue was mainly due to the decrease in both sales volume and sales price of clinkers.

In the first half of 2023, the Group's sales revenue from the Central China region amounted to approximately RMB3,289.2 million, representing a decrease of RMB1,051.6 million or 24.2% as compared with approximately RMB4,340.8 million in the same period of 2022. The Group's sales revenue from the Northeastern China region amounted to approximately RMB709.4 million, representing a decrease of RMB270.8 million or 27.6% as compared with approximately RMB980.2 million in the same period of 2022.

In the first half of 2023, revenue from the Group's sales of cement, clinker and limestone aggregate accounted for approximately 77.0% (same period of 2022: 81.4%), 4.7% (same period of 2022: 8.6%) and 18.3% (same period of 2022: 10.0%) of the total revenue, respectively.

Cost of Sales

During the first half of 2023, the Group strived to lower the unit production cost of cement and clinker by leveraging its economies of scale and through centralised procurement. The Group's cost of sales was approximately RMB3,058.4 million during the Reporting Period, representing a decrease of RMB813.6 million or 21.0% as compared with the first half of 2022. The decrease was primarily due to the decrease in the cement sales and the purchasing prices of rough coal and certain raw materials.

The Group's cost of sales mainly consists of cost of raw materials, coal and electricity. In the first half of 2023, the Group's costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 30.6% (first half of 2022: 30.5%), 44.7% (first half of 2022: 49.0%) and 13.4% (first half of 2022: 11.5%), 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 RMB63.9 (first half of 2022: RMB75.4), RMB93.2 (first half of 2022: RMB121.4) and RMB27.9 (first half of 2022: RMB28.4), respectively, representing a decrease of RMB11.5, RMB28.2 and RMB0.5, respectively, as compared with the same period of 2022.

Gross Profit, Gross Profit Margin and Segment Profit

The Group's gross profit was approximately RMB940.1 million in the first half of 2023, representing a decrease of RMB508.9 million, or 35.1%, from approximately RMB1,449.0 million in the same period of last year. The Group's gross profit margin decreased to 23.5% in the first half of 2023, as compared with 27.2% in the same period of 2022. The decrease in gross profit margin was primarily due to the decline in sales price of cement exceeding the decline in unit production cost in the first half of 2023.

In the first half of 2023, the Group's segment profit from the Central China region amounted to approximately RMB160.4 million, representing a decrease of approximately RMB455.5 million or 74.0% as compared with approximately RMB615.9 million in the same period of 2022. The decrease was due to the decrease in both sales volume and unit gross profit of cement in the region. The Group's segment profit from the Northeastern China region amounted to approximately RMB4.4 million, representing a decrease of RMB7.6 million or 63.9% as compared with a segment profit of approximately RMB12.0 million in the same period of 2022. The decrease in segment profit was mainly attributable to the decrease in both sales volume and unit gross profit of cement in the Northeastern China region.

Other Income

Other income was approximately RMB258.1 million for the first half of 2023, representing a decrease of RMB133.3 million, or 34.1%, from approximately RMB391.4 million for the same period of 2022. The decrease was primarily due to the decrease in value-added tax refunds and revenue from sales of materials included in other operating income.

Selling and Distribution Expenses

In the first half of 2023, the Group's selling and distribution expenses were approximately RMB164.3 million, representing an increase of RMB6.2 million or 3.9% as compared with approximately RMB158.1 million for the same period of 2022. The increase was mainly due to the increase in transportation cost.

Administrative Expenses

Administrative expenses of the Group were approximately RMB446.7 million for the first half of 2023, representing a decrease of RMB16.0 million, or 3.5%, from approximately RMB462.7 million for the same period of 2022. The decrease was mainly due to cost savings.

Finance Costs

Finance costs were approximately RMB409.3 million for the first half of 2023, representing a decrease of RMB100.5 million, or 19.7%, from approximately RMB509.8 million for the first half of 2022, which was mainly attributable to the decrease in interest accrued as a result of the lower discount rates on discounted notes with recourse and the due repayment of guaranteed notes.

Foreign Exchange Gain/loss

During the Reporting Period, the Group recorded foreign exchange loss of RMB23.3 million (same period of 2022: loss of RMB101.9 million), which was due to the decrease in loans settled in foreign currencies.

Profit before Tax

As a result of the foregoing, the Groups' profit before tax was approximately RMB155.6 million for the first half of 2023, representing a decrease of approximately RMB454.4 million, or approximately 74.5%, from approximately RMB610.0 million for the same period of 2022.

Income Tax Expenses

Income tax expenses of the Group were approximately RMB0.2 million for the first half of 2023, representing a decrease of RMB114.1 million, or 99.8%, from approximately RMB114.3 million for the same period of 2022. 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 2023 was approximately RMB150.5 million, representing a decrease of RMB306.0 million, or 67.0%, from approximately RMB456.5 million for the same period of 2022. The net profit margin for the first half of 2023 was 3.8%, representing a decrease of 4.8 percentage points as compared with the same period of 2022.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB9,240.2 million as at 31 December 2022 to RMB8,689.1 million as at 30 June 2023, mainly due to the decrease in bills receivables and prepayments to suppliers.

Inventories

Inventories increased from RMB1,043.0 million as at 31 December 2022 to RMB1,047.7 million as at 30 June 2023, which remained basically the same as compared with the beginning of the year.

Amounts Due from Associates

The amounts due from associates of approximately RMB1,322.2 million as of 30 June 2023 (31 December 2022: approximately RMB1,446.0 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 RMB987.8 million as at 31 December 2022 to RMB989.9 million as at 30 June 2023, 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 decreased from RMB4,403.3 million as at 31 December 2022 to RMB4,148.5 million as at 30 June 2023, mainly due to the decrease in the trade payables and construction costs payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB10,430.2 million as at 30 June 2023, representing an increase of approximately RMB807.5 million from RMB9,622.7 million as at 31 December 2022. Borrowings due within one year, borrowings from associates due within one year, long-term corporate bonds due within one year and other financial liabilities decreased from RMB8,225.7 million as at 31 December 2022 to RMB7,550.5 million as at 30 June 2023. Borrowings due after one year and other financial liabilities increased from RMB1,397.0 million as at 31 December 2022 to RMB2,879.7 million as at 30 June 2023, representing an increase of approximately 106.1%.

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 2023, the Group's gearing ratio was 49.0%, representing an increase of 0.3 percentage point from 48.7% as at 31 December 2022. The change of gearing ratio was due to the increase in borrowings.

As at 30 June 2023, the Group's current ratio was 1.4, representing an increase of 13.7% from 1.2 as at 31 December 2022; the Group's quick ratio was 1.3, representing an increase of 13.9% from 1.2 as at 31 December 2022.

As at 30 June 2023, the Group's debt equity ratio was 1.0, representing an increase of 1.1% from 0.9 as at 31 December 2022.

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 2023, the Group's net gearing ratio was approximately 21.2%, representing a decrease of 3.7 percentage points from 24.9% as at 31 December 2022. 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 2023 was approximately RMB353.2 million (first half of 2022: approximately RMB250.5 million) and capital commitment as at 30 June 2023 was approximately RMB484.4 million (as at 31 December 2022: approximately RMB527.1 million). Both the capital expenditure and capital commitment 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 2023, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,486.1 million (as at 31 December 2022: approximately RMB4,585.1 million).

FINANCIAL GUARANTEES

As at 30 June 2023, the Group has provided approximately RMB1,632.0 million (as at 31 December 2022: approximately RMB1,632.0 million) of authorised financial guarantees to related parties, among which approximately RMB719.9 million (as at 31 December 2022: approximately RMB802.8 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 2022 Framework Agreement in relation to provision of mutual guarantees, the details of which are set out in the circular of the Company dated 6 December 2022.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

During the Reporting Period, the Group was 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

The businesses of the Group are principally conducted in RMB, and certain bank balances and borrowings are denominated in HK$ or US$, hence exposure to exchange rate fluctuation arises. The Group currently does not have any hedging policy on foreign currency. Facing the complex international financial environment, the management will closely monitor the exchange rate fluctuation risk on a real-time basis, rationally plan the local and foreign currency risk exposure, and take appropriate hedging measures to control significant exchange rate fluctuation risk when 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 2023, the Group had 7,081 employees (as at 30 June 2022: 7,384). As at 30 June 2023, the employees' cost (including remuneration) was approximately RMB272.1 million (first half of 2022: approximately RMB269.1 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

The Political Bureau of the CPC Central Committee held a meeting on 24 July 2023 to analyze and study the current economic situation, deploy economic work in the second half of the year, and set a new trend of firmly promoting high-quality economic development. The meeting pointed out that the overall economic recovery was positive. It is necessary to adhere to the general tone of seeking progress while maintaining stability; precisely and effectively implement macro-control measures to boost investors' confidence; actively expand domestic demand to drive the consumption engine again; and effectively prevent and mitigate the risks in key areas for adjustment and optimization of real estate policies in a timely manner.

Recently, favorable policies for the real estate industry have been introduced one after another. On 21 July 2023, the Executive Meeting of the State Council considered and approved the "Guiding Opinions on Actively and Steadily Promoting Urban Village Redevelopment in Super-Mega and Mega Cities". The meeting pointed out that the active and steady implementation of urban village redevelopment in super-mega and mega cities is an important measure to improve people's livelihood, expand domestic demand and promote high-quality urban development.

According to the Information Research Center of China Cement Association and Digital Cement, in the second half of the year, infrastructure investment will continue to play an important role in maintaining stable economic growth, and at the same time provide favorable support for driving cement demand. With the implementation of favorable policies and measures for the real estate industry, the real estate market is expected to gradually stabilize, and the cement demand from the real estate side may improve, and the decline rate is expected to narrow. However, as the new construction area of real estate developers had been declining for many years, it is difficult to fully recover. The impact on cement demand is persistent, and the trend of decline in cement demand from the real estate side is still difficult to be fundamentally solved in the short term. It is expected that the cement demand in the second half of the year will slightly improve or fluctuate steadily as compared with the same period of last year, and the demand for the year will steadily decrease.

In terms of major project investment in Henan Province, on 11 July 2023, the Henan provincial government officially issued the "Three-year Action Plan for Implementing the Strategy of Expanding Domestic Demand in Henan Province (2023–2025)", which proposed the main objectives of implementing the strategy of expanding domestic demand in the province and clarified the main path and key measures. On accelerating the construction of transportation infrastructure, the Action Plan proposed to implement major projects such as the expansion of railway network, the expansion of airport hubs, the upgrading of highway, and the improvement of water transportation, accelerate the construction of major projects such as the phase III expansion project of Zhengzhou Xinzheng International Airport, the high-speed railway from Pingdingshan via Luohe to Zhoukou, the high-speed railway from Nanyang via Xinyang to Hefei, the highway "13445" project and the "Two Rivers and Two Ports", thereby building a multi-shaped comprehensive transportation network. The Plan also proposed to consolidate and improve the position of Zhengzhou as an international comprehensive transportation hub, enhance the capacity of national comprehensive transportation hubs in Luoyang, Nanyang and Shangqiu, accelerate the construction of functional and other regional comprehensive transportation hubs in Anyang, Xinyang, Luohe and Zhoukou, and build a "1+3+4+N" comprehensive transportation hub system. It also aimed to facilitate the integration of transportation infrastructure in metropolitan areas, accelerate the construction of projects such as the intelligent transformation project of Zhengkai Avenue and the rapid transformation project of Ping An Avenue, open up the Yanhuang Expressway and South-North Yanhuang Expressway, through which a direct and interconnected smooth network can be established. On the list of major projects, 49 projects with a total investment of RMB907.55 billion were listed. 21 projects involved in the field of transportation infrastructure with a total investment of RMB550.2 billion.

In terms of major project investment in Liaoning Province, according to China News, the role of state-owned enterprises in supporting major investment projects in Liaoning's revitalization is obvious. At present, there are more than 500 projects invested by state-owned enterprises in Liaoning in 3 categories, including under construction, planned to start new construction this year, and under planning and negotiation. On this basis, the provincial government has identified 100 major projects invested by state-owned enterprises in Liaoning with a total investment of over RMB1.1 trillion this year. Recently, according to China News Agency, as informed by the Department of Transportation of Liaoning Province, in order to implement the requirements of Liaoning's three-year action plan, Liaoning will promote the implementation of 72 key transportation projects with a total value of over RMB100 million in 2023, with a planned investment of RMB53.0 billion, representing a year-on-year increase of 15.3%. Xinhua News Agency announced that the opening ceremony of the High-end Summit of National Well-known Private Enterprises in Helping Comprehensive Revitalization and New Breakthrough in Liaoning was held in Shenyang on 3 August 2023, at which the contracts of 24 private enterprise investment projects totaling RMB63.4 billion were signed in Shenyang.

As over-capacity in the industry still exists, it is expected that the real estate market may improve or may remain weak, and coal prices may fluctuate to a certain extent. The Group must stay alert to the adverse factors that may affect the business development, and take corresponding measures in a proactive and timely manner to mitigate the impact of the adverse factors.

Facing the current challenges and opportunities, the Group will continue to comply with the requirements of the industry, adhere to peak shifting production and maintain market order. On cost reduction management, it will continue to carry out refined management, cost reduction and efficiency enhancement in various aspects such as mining, material procurement and production process. On market development, it will continue to carry out the development and maintenance of key projects and key customers, continue to explore the rural market, optimize product structure based on the customer-centric approach and market demand, and establish Tianrui brand. In addition, good sales services will be provided to enhance customer stickiness, create corporate benefits and maintain its core competitiveness. The Group will continue to adhere to the "green" and "intelligent" transformation and upgrading, and keep on maintaining its sustainable development capability.

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 2022: 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 2023. 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 Xuanyu
Chairman

Hong Kong, 18 August 2023

As at the date of this announcement, the Board consists of Chairman and executive Director, Mr. Li Xuanyu; Executive Directors, Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; Non-executive Director, Mr. Li Liufa; and Independent Non-executive Directors, Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang.