



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

2022 INTERIM REPORT



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Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa ("Chairman Li")

EXECUTIVE DIRECTORS

Ms. Li Fengluan
Mr. Ding Jifeng
Mr. Xu Wuxue
Mr. Li Jiangming

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. Kong Xiangzhong
Mr. Wang Ping
Mr. Du Xiaotang

AUDIT COMMITTEE

Mr. Wang Ping (*Chairman*)
Mr. Kong Xiangzhong
Mr. Du Xiaotang

NOMINATION COMMITTEE

Mr. Kong Xiangzhong (*Chairman*)
Mr. Li Liufa
Mr. Wang Ping

REMUNERATION COMMITTEE

Mr. Du Xiaotang (*Chairman*)
Mr. Xu Wuxue
Mr. Kong Xiangzhong

PRINCIPAL BANKERS

Bank of China, Henan Branch
Industrial and Commercial Bank of China, Henan Branch
China Construction Bank, Henan Branch
Bank of Pingdingshan
Bohai Bank, Dalian Branch
JZ CTS Bank, Zhengzhou Branch

REGISTERED OFFICE

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Hutchins Drive
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Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

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Ruzhou City
Henan Province
PRC



Corporate Information

PLACE OF BUSINESS IN HONG KONG

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Admiralty, Hong Kong

COMPANY WEBSITE

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JOINT COMPANY SECRETARIES

Mr. Li Jiangming
Mr. Chen Kun

AUTHORIZED REPRESENTATIVES

Mr. Li Jiangming
Mr. Chen Kun

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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As to Hong Kong law

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HONG KONG SHARE REGISTRAR

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Investor Services Limited
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Financial Highlights

	For the six months ended 30 June		Percentage of Change
	2022 RMB'000	2021 RMB'000	
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	456,536	751,571	-39.3%
Basic earnings per share (RMB)	0.16	0.26	-39.3%
	As at 30 June 2022 RMB'000	As at 31 December 2021 RMB'000	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	16,340,144	15,883,608	+2.9%

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.



Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.

Borrowings from an Associate

The borrowings from an associate in the amount of RMB620 million as at 30 June 2022 represents the borrowings provided by Tianrui Finance to the Group pursuant to the 2019 Financial Services Agreement, details of which are set out in the circular dated 5 December 2019.

Cash and Cash Equivalents

Cash and bank balance 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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.



Management Discussion and Analysis

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.



Management Discussion and Analysis

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.

Disclosure of Interests

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2022, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58
Ms. Li Fengluan ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58

(1) Yu Kuo Company Limited ("Yu Kuo") is 51.25% owned by Holy Eagle Company Limited ("Holy Eagle") and 48.75% owned by Yu Qi Company Limited ("Yu Qi") by equity interests. Each of Holy Eagle and Yu Qi are wholly owned by Tianrui (International) Holding Company Limited ("Tianrui International"), which is wholly owned by Tianrui Group Company Limited ("Tianrui Group"). Tianrui Group is 70% owned by Mr. Li Liufa and 30% owned by Ms. Li Fengluan, the spouse of Mr. Li Liufa respectively. Mr. Li Liufa and Ms. Li Fengluan are deemed to be interested in the shares held by Yu Kuo.

(2) During the six months ended 30 June 2022, no disclosure of interest form was filed by Yu Kuo.

Save as disclosed above, as at 30 June 2022, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Disclosure of Interests

SUBSTANTIAL SHAREHOLDERS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2022, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Mr. Li Liufa	Interest of corporation controlled by the director/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Ms. Li Fengluan	Interest of corporation controlled by the director/Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
The Export-Import Bank of China	Party with security interest over the shares/ Long position	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/ Long position	315,000,000	10.72
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/ Long position	470,000,000	16.00
China Huarong International Holdings Limited	Interest of controlled corporation/ Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/ Long position	300,000,000	10.21

Disclosure of Interests

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Best Ego Limited	Party with security interest over the shares/ Long position	300,000,000	10.21
China Huarong (Macau) International Company Ltd	Interest of controlled corporation/ Long position	170,000,000	5.79
China Cinda Asset Management Co., Ltd.	Interest of controlled corporation/ Long position	260,000,000	8.85

(1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle is wholly owned by Tianrui International, whereas Tianrui International is wholly owned by Tianrui Group. Tianrui Group is 70% and 30% owned by Mr. Li Liufa and Ms. Li Fengluan, the spouse of Mr. Li Liufa respectively. Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo.

(2) During the six months ended 30 June 2022, no disclosure of interest form was filed by Yu Kuo.

Saved as disclosed above, as at 30 June 2022, no other person had any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2022 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.



Disclosure of Interests

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period ended 30 June 2022, save as disclosed in the section headed "Directors' Interests in Competing Businesses" and in the section headed "Continuing Connected Transactions and Connected Transactions" in 2021 annual report of the Company, no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at any time during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the period ended 30 June 2022, save as (1) disclosed in the Company's circular dated 3 December 2021 regarding the indirect shareholding of Chairman Li and Ms. Li Fengluan (Chairman Li's spouse) at Ruiping Shilong Cement Company Limited ("Ruiping Shilong") for its engaging in the businesses of clinker production and sales in certain regions of Henan province; and (2) the indirect equity interests held by Chairman Li and Ms. Li Fengluan (Chairman Li's spouse) at China Shanshui Cement Group Limited ("Shanshui Cement"), which is listed on the Stock Exchange with the stock code as 691.HK and engages in the clinker and cement production in the PRC, none of the Directors nor Controlling Shareholders (as defined in the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group. The acquisitions of the equity interests at Shanshui Cement had been approved in accordance with the Amended Non-competition Deed (for details please refer to the circular dated 31 October 2014, which was approved at the Company's extraordinary general meeting held on 17 November 2014).

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

- (1) As disclosed in the announcement dated 16 September 2021, Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (the "Borrower", an indirect wholly-owned subsidiary of the Company) has drawn a loan facility (the "Loan A") in an aggregate amount of RMB100,000,000 provided by a lender (the "Lender A", an independent third party) to the Borrower for a term of 12 months from drawdown which is secured by a pledge of 80,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares A") by Yu Kuo, the controlling shareholder of the Company, in favour of the Lender A as security for the Loan A pursuant to a share charge agreement dated 10 September 2021. The Pledged Shares A represent approximately 2.72% of the total issued shares of the Company. Pursuant to the terms of the Loan A, Tianrui Group Company Limited (天瑞集團股份有限公司) ("Tianrui Group", a controlling shareholder under the Listing Rules and a company incorporated in the PRC with limited liability, which is 70% owned by Mr. Li Liufa ("Mr. Li"), the controlling shareholder of the Company and 30% owned by Ms. Li Fengluan ("Ms. Li") should ultimately own not less than 50% shareholding of the Borrower. As at the date of this interim report, Tianrui Group beneficially owns approximately 69.58% of the total number of issued shares of the Company which indirectly wholly owns the Borrower. A breach of the above obligations will constitute an event of default under the terms of the Loan A, upon default of which the Lender A may demand for immediate repayment of the Loan A. For details, please refer to the announcement dated 16 September 2021.



Disclosure of Interests

- (2) On 25 August 2020, the Company has drawn a loan facility (the “Loan B”) in an aggregate amount of US\$49,570,000 provided by an independent third-party lender (the “Lender B”) to the Company for an initial term of 24 months which is secured by a pledge of 140,000,000 ordinary shares in the issued share capital of the Company (the “Pledged Shares B”) by Yu Kuo, the controlling shareholder of the Company, in favour of the Lender B as security for the Loan B pursuant to a share charge agreement dated 21 July 2020. The Pledged Shares B represent approximately 4.76% of the total issued shares of the Company. Pursuant to the terms of the Loan B, Mr. Li and Ms. Li are required to collectively own, whether directly or indirectly, at least 51% of the entire issued share capital of the Company, upon default of which the Lender may demand for immediate repayment of the Loan B. For details, please refer to the announcement dated 25 August 2020.
- (3) As disclosed in the announcement of the Company dated 7 January 2022, a term loan facility of US\$30,000,000 as referenced in the announcement of the Company dated 14 December 2020 has been settled and the security for the said loan has been released, while the lender has granted a new loan of US\$30,000,000 to the Company, in respect of which Yu Kuo pledged 180,000,000 ordinary shares of the Company (the “Pledged Shares C”) in favour of the lender as security. The Pledged Shares C represent approximately 6.13% of the total issued shares of the Company. For details, please refer to the announcement dated 7 January 2022.

As at 30 June 2022, the above circumstances giving rise to disclosure obligation under Rule 13.21 of the Listing Rules continue to exist.

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 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 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 as well as this interim report. The financial information in the condensed consolidated financial statements of the interim results and this report have not been audited or reviewed by the auditors of the Company.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2022

	Notes	For the six months ended 30 June	
		2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Revenue	4, 5	5,321,033	5,732,761
Cost of sales		(3,872,035)	(3,978,880)
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	(509,814)	(505,829)
Profit before tax		610,023	987,825
Income tax expense	9	(114,271)	(192,815)
Profit and total comprehensive income for the period	10	495,752	795,010
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		456,536	751,571
Non-controlling interests		39,216	43,439
		495,752	795,010
Earnings per share			
Basic (RMB)	11	0.16	0.26

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	9,892,020	10,169,121
Long-term deposits	14	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	16	47,076	47,076
Amounts due from associates	17	189,431	518,878
Other prepayments		817,400	817,400
Sub-total of non-current assets		15,063,438	15,732,469
CURRENT ASSETS			
Inventories		1,283,907	850,721
Trade and other receivables	15	8,106,794	8,351,250
Amounts due from an associate	17	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	16	5,056,178	4,369,881
Cash, deposits and bank balances	18	2,497,183	2,310,631
Sub-total of current assets		17,939,782	16,925,766
CURRENT LIABILITIES			
Trade and other payables	19	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	20	270,000	400,000
Borrowings due within one year	21	5,347,527	5,785,130
Long-term corporate bonds due within one year	23	60,718	37,610
Current tax liabilities		360,226	331,676
Guaranteed notes due within one year	22	882,266	884,913
Financial guarantee contracts		9,362	10,929
Sub-total of current liabilities		12,968,739	13,254,960

Condensed Consolidated Statement of Financial Position

As at 30 June 2022

	Notes	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
NET CURRENT ASSETS		4,971,043	3,670,806
TOTAL ASSETS LESS CURRENT LIABILITIES		20,034,481	19,403,275
CAPITAL AND RESERVES			
Share capital	24	24,183	24,183
Share premium and reserves		16,315,961	15,859,425
Equity attributable to owners of the Company		16,340,144	15,883,608
Non-controlling interests		223,886	184,670
TOTAL EQUITY		16,564,030	16,068,278
NON-CURRENT LIABILITIES			
Borrowings due after one year	21	2,178,940	1,522,198
Loan from an associate due after one year	20	350,000	800,000
Long-term corporate bonds	23	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
Sub-total of non-current liabilities		3,470,451	3,334,997
TOTAL ASSETS LESS CURRENT LIABILITIES		20,034,481	19,403,275

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2022

	Attributable to owners of the Company							Total	Non-controlling interest	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2021 (audited)	24,183	1,066,648	789,990	1,494,538	1,029,562	31,768	10,257,361	14,694,050	128,848	14,822,898
Profit for the period and total comprehensive income	—	—	—	—	—	—	1,200,590	1,200,590	80,932	1,281,522
Appropriation of statutory reserve	—	—	—	117,196	—	—	(117,196)	—	—	—
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	(25,110)	(25,110)
Financial guarantee provided to related parties	—	—	—	—	(11,032)	—	—	(11,032)	—	(11,032)
At 31 December 2021 (audited)	24,183	1,066,648	789,990	1,611,734	1,018,530	31,768	11,340,755	15,883,608	184,670	16,068,278
Profit for the period and total comprehensive income	—	—	—	—	—	—	456,536	456,536	39,216	495,752
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—
At 30 June 2022 (unaudited)	24,183	1,066,648	789,990	1,611,734	1,018,530	31,768	11,797,291	16,340,144	223,886	16,564,030
At 1 January 2021 (audited)	24,183	1,066,648	789,990	1,494,538	1,029,562	31,768	10,257,361	14,694,050	128,848	14,822,898
Profit for the period and total comprehensive income	—	—	—	—	—	—	751,571	751,571	43,439	795,010
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—
At 30 June 2021 (unaudited)	24,183	1,066,648	789,990	1,494,538	1,029,562	31,768	11,008,932	15,445,621	172,287	15,617,908

Notes:

- i. Capital reserve represents the excess of capital injection over the registered capital of Tianrui Cement Group Company Limited (the "Tianrui Cement").
- ii. According to the relevant requirements in the memorandum of the People's Republic of China (the "PRC") subsidiaries, a portion of their profits after taxation is transferred to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.
- iii. Other reserves comprise the following:
 - (1) Reserve arising from the group reorganisation in 2011: China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited, China Tianrui (Hong Kong) Company Limited, and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. On 2 April 2011, 474,526 ordinary shares of the Company (the "Shares") were allotted and issued to Yu Kuo Company Limited. As part of the group reorganisation, Yu Kuo Company Limited applied a bridging loan in the net amount of US\$87,433,333 (equal to approximately RMB565,516,000) to pay up the Shares. The amount of US\$87,433,333 in excess of the par value of 474,526 shares was recognised in the share premium account, and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of the Shares issued to Yu Kuo Company Limited and the share premium amounting to RMB831,615,000 was recognised in other reserves;
 - (2) Deemed contribution from Tianrui Group Company Limited ("Tianrui Group") of RMB229,240,000 recognised in 2015;
 - (3) Fair value of financial guarantee contracts at initial recognition provided to Tianrui Group and its subsidiaries debited to other reserves totaling RMB62,390,000 (2021: RMB62,390,000);
 - (4) The difference between the consideration of the acquisitions of non-controlling interests and the carrying amounts of non-controlling interests and relevant reserves totaling RMB16,906,000 credited to other reserves up to 30 June 2022 (2021: RMB16,906,000); and
 - (5) Safety fund appropriation of RMB3,159,000 (2021: RMB3,159,000).
- iv. The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognised directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2022

	Six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Net cash generated from operating activities	1,962,002	2,518,152
Investing activities		
Interest received	47,906	36,915
Payments for property, plant and equipment	(256,917)	(56,010)
Payments for right-of-use assets	(23,342)	(10,997)
Proceeds from disposal of property, plant and equipment	1,508	790
Payments for mining rights	(21,300)	(10,570)
Changes of deposits paid for acquisition of business, property, plant and equipment and prepaid lease payments	37,674	32,410
Increase in restricted pledged bank balances	(686,297)	(1,640,292)
Net cash used in investing activities	(900,768)	(1,647,754)
Financing activities		
Interest paid	(513,781)	(506,320)
Repayment of borrowings	(3,998,443)	(2,913,977)
New borrowings raised	4,217,542	3,817,162
Repayment of loan from an associate	(580,000)	(200,000)
Repayment of short-term debentures	—	(1,200,840)
Net cash used in financing activities	(874,682)	(1,003,955)
Increase (Decrease) in cash and cash equivalents	186,552	(133,557)
Cash and cash equivalents at beginning of year	2,310,631	2,412,115
Cash and cash equivalents at end of the year represented by cash and bank balances	2,497,183	2,278,558

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

1. GENERAL INFORMATION

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

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

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

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International 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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

3. PRINCIPAL ACCOUNTING POLICIES — continued

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	532,477	454,665
	5,321,033	5,732,761
Revenue recognition at a point in time	5,321,033	5,732,761

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

5. SEGMENT INFORMATION — continued

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	
	2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2022 RMB'000 (unaudited)	2021 RMB'000 (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	5,321,033	5,732,761	627,986	999,424
Unallocated corporate administrative expenses			(17,963)	(11,599)
Profit before tax			610,023	987,825

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 RMB'000 (unaudited)	2021 RMB'000 (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
	391,351	335,395

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

7. OTHER GAINS AND LOSSES

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

8. FINANCE COSTS

	For the six months ended 30 June	
	2022 RMB'000 (unaudited)	2021 RMB'000 (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	587	1,513
	513,781	506,300
Less: amounts capitalised	(3,967)	(471)
	509,814	505,829

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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

9. INCOME TAX EXPENSE

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

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 RMB'000 (unaudited)	2021 RMB'000 (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
Total depreciation and amortisation, in aggregate	462,799	431,822
Cost of inventories recognised as an expense	3,872,035	3,978,880
Staff costs including retirement benefit	269,111	269,907

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

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 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Earnings Profit for the period attributable to owners of the Company	456,536	751,571

	For the six months ended 30 June	
	2022 '000 (unaudited)	2021 '000 (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.

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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB1,182,000 (for the six months ended 30 June 2021: RMB332,000) for cash proceeds of RMB1,508,000 (for the six months ended 30 June 2021: RMB790,000), resulting in a gain on disposal of RMB326,000 (for the six months ended 30 June 2021: RMB458,000).

As at 30 June 2022, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB509,763,000 (31 December 2021: RMB523,494,000).

14. LONG-TERM DEPOSITS

As at 30 June 2022 and 31 December 2021, the amounts represent deposits and advances paid for acquisition of business, and acquisition of property, plant and equipment and land use rights.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade receivables	610,089	234,797
Less: allowance for bad debts losses	(54,597)	(54,597)
	555,492	180,200
Other receivables	693,553	377,311
Less: allowances for credit losses	(49,843)	(49,843)
	643,710	327,468
Bills receivables	2,505,453	3,269,271
Advances to suppliers	5,088,173	5,356,677
Prepayments for various taxes	131,366	35,034
	8,924,194	9,168,650
Less: Prepayment to suppliers classified under non-current assets	(817,400)	(817,400)
	8,106,794	8,351,250

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

15. TRADE AND OTHER RECEIVABLES — continued

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 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within 90 days	526,155	144,063
91–180 days	16,375	16,112
181–360 days	11,542	18,863
1 year to 2 years	1,420	1,162
Total	555,492	180,200

16. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2022 for (i) securing bank borrowings granted to the Group amounting to RMB2,196,323,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,859,855,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB47,076,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2021 for (i) securing bank borrowings granted to the Group amounting to RMB1,738,608,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,631,273,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB47,076,000.

The restricted bank balances carried interest at market rates of 0.3% to 2.1% per annum as at 30 June 2022 (31 December 2021: 0.3% to 2.1% per annum).

17. AMOUNTS DUE FROM ASSOCIATES

The amounts due from associates of approximately RMB1,058,346,000 as at 30 June 2022 (2021: approximately RMB1,447,508,000) 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 of RMB189,431,000 (2021: RMB189,431,000) due from an associate, China United Cement Xinan Wanji Co., Ltd, which is indirectly held as to 49% by the Company, and the shareholder's loan is unsecured, bear interest at 5% per annum and no fixed repayment terms.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

18. CASH, DEPOSITS AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2022, bank balances carried interest at market rates of 0.30% to 1.95% per annum (31 December 2021: 0.30% to 1.95% per annum).

19. TRADE AND OTHER PAYABLES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Trade payables	679,807	721,593
Bills payables	3,015,594	2,676,427
Construction costs payables	401,889	463,282
Other advances	88,044	93,969
Other tax payables	153,219	130,864
Other long-term payables — current portion	43,188	43,188
Other payables and accrued expenses	123,840	144,249
	4,505,581	4,273,572

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 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (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
Total	679,807	721,593

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

20. LOAN FROM AN ASSOCIATE

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Loan from Tianrui Finance	620,000	1,200,000
Less: Amounts due within one year	(270,000)	(400,000)
Amounts due after one year	350,000	800,000

The loan from Tianrui Finance is unsecured and bears interest rate ranging from 3.66% to 3.85% (2021: 3.68%) per annum.

21. BORROWINGS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Bank borrowings:		
— Fixed-rate	4,717,182	4,646,243
— Variable-rate	1,061,432	631,000
Other borrowings from non-bank financial institutions:		
— Fixed-rate	1,627,373	1,592,846
— Variable-rate	120,480	152,922
Bank borrowings relating to bills discounted with recourse	7,526,467	7,023,011
	—	284,317
	7,526,467	7,307,328
Secured	5,213,845	5,466,958
Unsecured	2,312,622	1,840,370
	7,526,467	7,307,328

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

21. BORROWINGS — continued

The borrowings are repayable as follows:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Within one year	5,347,527	5,785,130
More than one year, but not exceeding two years	913,380	592,397
More than two years, but not exceeding five years	1,265,560	929,801
	7,526,467	7,307,328
Less: Amounts due within one year shown under current liabilities	(5,347,527)	(5,785,130)
Amounts due after one year	2,178,940	1,522,198

During the current interim period, the Group obtained new bank loans amounting to RMB4,217,542,000.00 (30 June 2021: RMB3,817,162,000). The loans carried interest at market rates of 3.85% to 12.00% (31 December 2021: 3.95% to 13.00%). The Directors consider that the carrying amounts of the borrowings recognised in the condensed consolidated financial statements approximate to their fair values.

22. GUARANTEED NOTES

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Guaranteed notes	882,266	884,913
	882,266	884,913

On 28 June 2019, the Group issued guaranteed notes due in 2022 with an aggregate principal amount of US\$140,000,000 (approximately RMB976,668,000) with a term of three years and an interest rate of 12% per annum, payable in arrear on each of the six-month period commencing on (and including) the issue date and each successive six-month period. The notes are guaranteed by Yu Kuo Company Limited, the immediate holding company of the Company, and Tianrui (International) Holding Company Limited, an intermediate holding company of the Company.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

22. GUARANTEED NOTES — continued

After the occurrence of an event of default, which include, inter alia, change of controlling shareholder of the Company, the shares of the Company cease to be listed, the Group does not pay on the due date any amount payable by it under any notes documents, etc., the noteholder (which hold at least 25% in aggregate principal amount of the notes then outstanding) may give a notice requiring the Group to redeem all the notes held by the noteholder immediately at an aggregate redemption price that is equal to the sum of the 100% of the principal amount of the notes then outstanding, the interest accrued and outstanding, and an amount calculated from the date which amounts were due but not paid to the noteholder at the rate of 17% per annum.

All the outstanding notes were fully settled and cancelled upon the maturity date.

23. LONG-TERM CORPORATE BONDS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Long-term corporate bonds	67,560	64,591
Less: Amounts due within one year	(60,718)	(37,610)
Amounts due after one year	6,842	26,981

Note:

- (i) Long-term corporate bonds in an aggregate principal amount of HK\$86,500,000 (approximately RMB75,791,300) which including the issuance of first tranche in an aggregate principal amount of HK\$45,540,000 issued on 2 December 2014, the second tranche in an aggregate principal amount of HK\$33,460,000 issued on 15 July 2015 and the third tranche in an aggregate principal amount of HK\$7,500,000 issued on 9 January 2016, with a term of eight years each and an interest rate of 6.50% per annum each. These bonds were issued through the lead underwriter, Convoy Investment Service Limited (康宏證券投資服務有限公司), to non-specific buyers. Up to 31 December 2020, an aggregate principal amount of HK\$7,500,000 of the bonds has been redeemed.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

24. ISSUED CAPITAL

The Company

	Number of shares	Share capital	
		HK\$'000	RMB'000
Ordinary share of HK\$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 1 January 2021, 31 December 2021 and 30 June 2022	10,000,000,000	100,000	81,070
Shares issued			
At 1 January 2021, 31 December 2021 and 30 June 2022	2,938,281,647	29,383	24,183

25. PLEDGE OF ASSETS

As at the end of each reporting period, the carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group is analysed as follows:

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Property, plant and equipment	2,857,763	2,177,855
Right-of-use assets	247,873	224,276
Mining rights	139,957	118,372
Pledged bank balances	2,196,323	1,738,608
	5,441,916	4,259,111

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2022

26. CAPITAL COMMITMENTS

	As at 30 June 2022 RMB'000 (unaudited)	As at 31 December 2021 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided for in the condensed consolidated financial statements	376,638	334,921

27. RELATED PARTY DISCLOSURES

In addition to the transactions and balances detailed elsewhere in these condensed consolidated financial statements, the Group had the following material transactions with related parties during the current interim period:

Nature of transaction	Name of related party	Note	Six months ended 30 June	
			2022 RMB'000 (unaudited)	2021 RMB'000 (unaudited)
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	344,391	388,698
			344,391	388,698
Office rental expenses	Tianrui Group Company Limited (天瑞集團股份有限公司)		900	900

Note:

- i. An associate of the Group.

Financial guarantees

On 30 June 2022, other than the authorized financial guarantee provided to related parties of approximately RMB1,622,000,000 (31 December 2021: RMB1,863,601,000), of which approximately RMB1,013,161,000 (31 December 2021: RMB1,182,655,000) were actually utilized, the Group does 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 dated 5 December 2019.

The management considers the risk of the financial guarantees and recognised financial guarantee liabilities of RMB9,362,000 (31 December 2021: RMB10,929,000) in the condensed consolidated financial statements.