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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2022

Summary/Financial Highlights	**For the year ended 31 December**		
	2022	2021	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Revenue	**11,055,439**	12,716,775	−13.1%
Gross profit	**2,713,844**	3,233,825	−16.1%
EBITDA	**2,918,455**	3,643,156	−19.9%
Profit	**539,288**	1,281,522	−57.9%
Of which: Profit attributable to owners of the Company	**448,690**	1,200,590	−62.6%
Basic earnings per share *(RMB)*	**0.15**	0.41	−62.6%

	As at 31 December		
	2022	2021	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Total assets	**32,343,592**	32,658,235	−1.0%
Of which: Current assets	**16,874,102**	16,925,766	−0.3%
Total liabilities	**15,753,498**	16,589,957	−5.0%
Of which: Current liabilities	**13,521,730**	13,254,960	+2.0%
Total equity	**16,590,094**	16,068,278	+3.2%
Of which: Equity attributable to owners of the Company	**16,314,826**	15,883,608	+2.7%

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the year ended 31 December 2022 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2022

	Notes	**2022** *RMB'000*	2021 *RMB'000*
Revenue	3, 4	**11,055,439**	12,716,775
Cost of sales		**(8,341,595)**	(9,482,950)
Gross profit		**2,713,844**	3,233,825
Other income	5	**534,534**	521,904
Impairment losses under expected credit loss model, net of reversal	6	**1,235**	2,819
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss		**(284)**	13,120
Other gains and losses, net	7	**(188,530)**	86,269
Distribution and selling expenses		**(240,617)**	(416,311)
Administrative expenses		**(954,283)**	(917,034)
Other expenses		**(110,081)**	(105,092)
Share of results of associates		**(34,544)**	35,057
Finance costs	8	**(1,033,388)**	(1,001,454)
Profit before tax		**687,886**	1,453,103
Income tax expense	9	**(148,598)**	(171,581)
Profit and total comprehensive income for the year	10	**539,288**	1,281,522
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**448,690**	1,200,590
Non-controlling interests		**90,598**	80,932
		539,288	1,281,522
		2022 *RMB*	2021 *RMB*
Earnings per share			
Basic and diluted	11	**0.15**	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2022

	Notes	**2022** **RMB'000**	2021 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**9,768,770**	10,169,121
Long-term deposits		**350,664**	218,134
Right-of-use assets		**993,444**	1,013,962
Mining rights		**1,485,269**	1,364,769
Goodwill		**284,233**	300,857
Other intangible assets		**14,000**	14,000
Investments in associates		**1,086,802**	1,111,346
Derivative financial instruments		**495**	1,155
Deferred tax assets		**109,613**	155,771
Pledged bank balances		**26,895**	47,076
Amounts due from an associate		**428,632**	518,878
Other prepayments		**920,673**	817,400
		15,469,490	15,732,469
CURRENT ASSETS			
Inventories		**1,042,962**	850,721
Trade and other receivables	13	**9,240,184**	8,351,250
Amounts due from an associate		**1,017,335**	928,630
Deposit		**—**	104,959
Financial assets at fair value through profit or loss		**38,901**	9,694
Pledged bank balances		**4,546,923**	4,369,881
Cash, deposits and bank balances		**987,797**	2,310,631
		16,874,102	16,925,766
CURRENT LIABILITIES			
Trade and other payables	14	**4,403,336**	4,273,572
Contract liabilities		**571,383**	526,892
Lease liabilities due within one year		**3,579**	12,128
Other financial liabilities		**1,175,772**	992,110
Loan from an associate due within one year		**870,000**	400,000
Borrowings due within one year		**6,150,439**	5,785,130
Long-term corporate bonds due within one year		**29,478**	37,610
Current tax liabilities		**302,362**	331,676
Guaranteed notes due within one year		**—**	884,913
Financial guarantee contracts		**15,381**	10,929
		13,521,730	13,254,960
NET CURRENT ASSETS		**3,352,372**	3,670,806
TOTAL ASSETS LESS CURRENT LIABILITIES		**18,821,862**	19,403,275

	Notes	**2022** *RMB'000*	2021 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**16,290,643**	15,859,425
Equity attributable to owners of the Company		**16,314,826**	15,883,608
Non-controlling interests		**275,268**	184,670
TOTAL EQUITY		**16,590,094**	16,068,278
NON-CURRENT LIABILITIES			
Borrowings due after one year		**1,397,015**	1,522,198
Loan from an associate due after one year		—	800,000
Long-term corporate bonds		—	26,981
Lease liabilities due after one year		**5,618**	6,608
Other financial liabilities		—	215,750
Deferred tax liabilities		**159,218**	167,217
Deferred income		**192,416**	209,460
Provision for environmental restoration		**54,408**	43,422
Other long-term payables		**423,093**	343,361
		2,231,768	3,334,997
		18,821,862	19,403,275

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2022

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "**Company**") was 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 are 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 Province, 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 his spouse Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

2. APPLICATION OF AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to IFRS 3	*Reference to the Conceptual Framework*
Amendment to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*
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 IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*

The application of the amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*[1]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[3]
Amendments to IFRS 16	*Lease Liability in a Sale and Leaseback*[2]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[2]
Amendments to IAS 1	*Non-current Liabilities with Covenants*[2]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[1]
Amendments to IAS 8	*Definition of Accounting Estimates*[1]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[1]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2024.
3 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

2.2 New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in note 3 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities (please see Note below), the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise 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 differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB9,568,000 and RMB9,197,000 respectively, in which the Group will recognise the related deferred tax assets and deferred tax liabilities of RMB1,380,000 and RMB1,435,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings at the beginning of the earliest comparative period presented.

3. REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Sales of cement	**8,552,711**	11,405,703
Sales of clinker	**849,761**	425,285
Sales of limestone aggregate	**1,652,967**	885,787
	11,055,439	12,716,775
Timing of revenue recognition — A point in time	**11,055,439**	12,716,775

The Group sells cement, clinker and limestone aggregate directly to external customers and revenue is recognised when control of goods has transferred to the customers, being when the goods have been delivered to the customers.

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

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

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

4. SEGMENT INFORMATION (CONTINUED)

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

	Segment revenue		Segment profit	
	Year ended 31 December		Year ended 31 December	
	2022	2021	**2022**	2021
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**8,835,047**	9,350,926	**845,737**	1,175,520
Northeast China	**2,220,392**	3,365,849	**89,226**	375,668
Total	**11,055,439**	12,716,775	**934,963**	1,551,188
Unallocated corporate administrative expenses			**(164,663)**	(203,379)
Unallocated other gains and losses, net			**(82,130)**	92,174
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**")			**(284)**	13,120
Profit before tax			**687,886**	1,453,103

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3.2. Segment profit represents the profit before tax without allocation of certain corporate administrative expenses including directors' emoluments, certain other gains and losses, and changes in fair value of financial assets at FVTPL.

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

4. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2022	2021
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**25,588,318**	26,859,712
Northeast China	**6,581,467**	5,578,116
Total segment assets	**32,169,785**	32,437,828
Derivative financial instruments	**495**	1,155
Financial assets at FVTPL	**10,070**	9,694
Deferred tax assets	**109,613**	155,771
Unallocated other receivables	**34,878**	23,966
Unallocated cash, deposits and bank balances	**18,751**	29,821
Total assets	**32,343,592**	32,658,235
SEGMENT LIABILITIES		
Central China	**12,660,769**	13,922,621
Northeast China	**2,604,290**	2,144,803
Total segment liabilities	**15,265,059**	16,067,424
Deferred tax liabilities	**159,218**	167,217
Current tax liabilities	**302,362**	331,676
Unallocated other payables	**26,859**	23,640
Total liabilities	**15,753,498**	16,589,957

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

— all assets are allocated to operating and reportable segments other than derivative financial instruments, financial assets at FVTPL, deferred tax assets, certain unallocated other receivables, and certain unallocated cash, deposits and bank balances; and

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

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2022

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
Additions to property, plant and equipment	**556,016**	**140,778**	**696,794**
Additions to right-of-use assets	**28,174**	**—**	**28,174**
Additions to mining rights	**211,660**	**—**	**211,660**
Impairment of goodwill	**—**	**16,624**	**16,624**
Impairment of property, plant and equipment	**4,103**	**23,273**	**27,376**
Finance costs	**927,111**	**106,277**	**1,033,388**
Provision for environmental restoration	**24,948**	**12,174**	**37,122**
Depreciation and amortisation before capitalisation	**973,115**	**224,066**	**1,197,181**
(Reversal)/impairment loss under expected credit loss model, net of reversal	**6,806**	**(8,041)**	**(1,235)**
Loss/(gain) on disposal of property, plant and equipment, net	**103**	**65**	**168**
Value-added tax refund	**(148,463)**	**(24,927)**	**(173,390)**
Incentive subsidies	**(41,921)**	**(5,682)**	**(47,603)**
Interest income	**(83,235)**	**(11,210)**	**(94,445)**
Share of results of associates	**34,544**	**—**	**34,544**
Interest in associates	**1,086,802**	**—**	**1,086,802**

For the year ended 31 December 2021

	Central China *RMB'000*	Northeast China *RMB'000*	Total *RMB'000*
Additions to property, plant and equipment	362,634	106,814	469,448
Additions to right-of-use assets	34,571	1,158	35,729
Additions to mining rights	42,653	—	42,653
Finance costs	900,084	101,370	1,001,454
Provision for environmental restoration	44,439	3,169	47,608
Depreciation and amortisation before capitalisation	901,529	287,070	1,188,599
Impairment loss under expected credit loss model, net of reversal	(597)	(2,222)	(2,819)
Gain on disposal of property, plant and equipment, net	2,955	(207)	2,748
Value-added tax refund	(213,733)	(55,651)	(269,384)
Incentive subsidies	(39,300)	(3,569)	(42,869)
Interest income	(84,546)	(8,200)	(92,746)
Share of results of associates	(35,057)	—	(35,057)
Interest in associates	1,111,346	—	1,111,346

4. SEGMENT INFORMATION (CONTINUED)

Revenue from major products has been disclosed in Note 5. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer contributed to over 10% of the total revenue of the Group for the years ended 31 December 2022 and 2021.

5. OTHER INCOME

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Value-added tax refund	**173,390**	269,384
Incentive subsidies	**47,603**	42,869
Interest income on bank deposits	**88,064**	84,139
Interest income from loans to an associate	**6,381**	8,607
Release of deferred income	**17,044**	12,821
Release of financial guarantee liability	**13,020**	11,745
Income from sundry operations	**174,373**	45,777
Software service income	**10,756**	18,176
Others	**3,903**	28,386
	534,534	521,904

6. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Impairment losses, net of reversal recognised on:		
Trade receivables — goods and services	**4,359**	5,322
Other receivables	**(3,124)**	(2,503)
	1,235	2,819

7. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Foreign exchange (losses)/gains, net	**(141,642)**	88,351
Impairment of goodwill	**(16,624)**	—
Impairment of property, plant and equipment	**(27,376)**	—
Loss on disposal of property, plant and equipment, net	**(168)**	(2,748)
Others	**(2,720)**	666
	(188,530)	86,269

8. FINANCE COSTS

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**545,922**	518,709
Bills discounted with recourse	**242,746**	224,933
Lease liabilities	**1,115**	2,834
Guaranteed notes	**58,946**	115,976
Long-term corporate bonds	**4,189**	11,335
Loans from an associate	**43,624**	47,662
Other financial liabilities	**119,214**	93,835
Others	**17,632**	—
	1,033,388	1,015,284
Less: amounts capitalised in the cost of qualifying assets	**—**	(13,830)
	1,033,388	1,001,454

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**121,893**	199,863
Overprovision in prior years:	**(11,454)**	(16,888)
Deferred tax	**38,159**	(11,394)
	148,598	171,581

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

Certain 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, 2021 and 2022 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 YEAR

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**1,057,329**	1,054,862
Amortisation of right-of-use assets	**48,692**	47,698
Amortisation of mining rights, included in cost of sales	**91,160**	86,039
Total depreciation and amortisation	**1,197,181**	1,188,599
Less: Amounts capitalised to inventories	**(745,280)**	(780,755)
Amounts included in other expenses *(note)*	**(45,275)**	(44,282)
	406,626	363,562
Cost of inventories recognised as an expense	**8,341,595**	9,482,950
Employee benefits expense (including contributions to retirement benefit scheme and directors' emoluments)	**564,705**	567,362
Less: Amounts capitalised to inventories	**(188,287)**	(203,865)
	376,418	363,497
Auditor's remuneration	**2,700**	2,700
Research and development costs recognized as an expense (included in administrative expenses)	**444,345**	462,611

Note:

Depreciation and amortisation amounting to RMB45,275,000 (2021: RMB44,282,000) during the temporary suspension period due to seasonal effect is included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

11. EARNINGS PER SHARE

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

	Year ended 31 December	
	2022	2021
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**448,690**	1,200,590

11. EARNINGS PER SHARE (CONTINUED)

	Year ended 31 December	
	2022	2021
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,938,282

Diluted earnings per share is presented as the same as basic earnings per share for both 2022 and 2021 as there were no potential ordinary shares in issue for the Company for both 2022 and 2021.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2022, nor has any dividend been proposed since the end of the reporting period (2021: Nil).

13. TRADE AND OTHER RECEIVABLES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Trade receivables	**159,599**	234,797
Less: allowances for credit losses	**(50,238)**	(54,597)
	109,361	180,200
Other receivables	**376,284**	377,311
Less: allowances for credit losses	**(52,967)**	(49,843)
	323,317	327,468
Bills receivables *(Note (a))*	**3,158,012**	3,269,271
Bills endorsed to suppliers *(Note (a))*	**2,923,986**	2,911,568
Prepayments to suppliers *(Note (b))*	**3,614,814**	2,445,109
Prepayments for various taxes	**31,367**	35,034
	10,160,857	9,168,650
Less: Prepayment to suppliers classified under non-current assets *(Note (b))*	**(920,673)**	(817,400)
	9,240,184	8,351,250

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

Notes:

(a) Bills receivables amounted to RMB116,013,000 as at 31 December 2022 (2021: RMB380,000,000) were discounted to banks to obtain borrowings (Notes 27 and 36).

All bills received by the Group are with a maturity period of less than one year.

(b) The Group has a practice to make advance payments to suppliers to maintain stable supply of raw materials for the production of cement and clinker. Of which, an aggregate amount of RMB920,673,000 (2021: RMB817,400,000) is expected to be utilised after one year.

The credit term granted to customers is normally 180 days upon delivery of goods. The aged analysis of the Group's trade receivables (net of allowances for credit losses) prepared based on the goods delivery date at the end of each reporting period is as follows:

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 90 days	**108,638**	144,063
91–180 days	**635**	16,112
181–365 days	**—**	18,863
Over 1 year	**88**	1,162
Total	**109,361**	180,200

The Group does not hold any collateral over the above balances.

14. TRADE AND OTHER PAYABLES

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Trade payables	**993,114**	721,593
Bills payables	**2,668,575**	2,676,427
Construction costs payables	**441,651**	463,282
Other tax payables	**130,665**	130,864
Other long-term payable — current portion *(Note 20)*	**69,370**	43,188
Other payables and accrued expenses	**99,961**	238,218
	4,403,336	4,273,572

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

	31/12/2022	31/12/2021
	RMB'000	*RMB'000*
Within 90 days	**725,347**	317,532
91–180 days	**62,567**	188,717
181–365 days	**85,577**	119,501
Over 1 year	**119,623**	95,843
Total	**993,114**	721,593

The maturity date of the Group's bills payables is ranging from 1 month to 1 year.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2022, under the influence of the downturn in the real estate market and recurring epidemics, the demand in the cement market decreased, resulting in a decrease in sales volume of the Company's products. Meanwhile, the cost of the Company's products increased due to rising coal prices. As compared to the previous year, the Group's performance has declined to a certain extent, which is generally in line with the industry.

As of 31 December 2022, the production capacity of clinker of the Group was 28.4 million tonnes, while the production capacity of cement and aggregate were 56.4 million tonnes and 30.2 million tonnes, respectively.

In 2022, the sales volume of cement of the Group amounted to approximately 27.7 million tonnes, representing a decrease of approximately 8.0 million tonnes or 22.3% as compared to approximately 35.7 million tonnes in the same period of 2021. The average price was approximately RMB308.7 per tonne, representing a decrease of RMB11.1 per tonne or 3.5% as compared to the same period of 2021.

In 2022, the sales volume of aggregate of the Group amounted to approximately 41.9 million tonnes, representing an increase of approximately 21.9 million tonnes or 109.1% as compared to approximately 20.0 million tonnes in the same period of 2021. The average price was approximately RMB39.5 per tonne, representing a decrease of RMB4.7 per tonne or 10.8% compared to the same period of 2021.

In 2022, the Group sold approximately 2.7 million tonnes of clinker externally, representing an increase of approximately 1.3 million tonnes as compared to approximately 1.4 million tonnes sold in the same period of 2021. During the year, the clinker we produced was mainly used to meet the Group's internal need of cement production.

In 2022, the Group recorded a revenue of approximately RMB11,055.4 million, representing a decrease of approximately RMB1,661.4 million or 13.1% as compared to the same period of 2021. The profit attributable to owners of the Company amounted to approximately RMB448.7 million, representing a decrease of approximately RMB751.9 million or approximately 62.6% from approximately RMB1,200.6 million in 2021.

BUSINESS ENVIRONMENT

According to the data released by the National Bureau of Statistics, the annual gross domestic product ("**GDP**") for 2022 was RMB121.0207 trillion, representing an increase of 3.0% over the last year. In terms of regions, in 2022, the GDP of East China was RMB62.2018 trillion, representing an increase of 2.5% over the last year; the GDP of Central China was RMB26.6513 trillion, representing an increase of 4.0%; the GDP of West China was RMB25.6985 trillion, representing an increase of 3.2%; and the GDP of Northeast China was RMB5.7946 trillion, representing an increase of 1.3%.

The fixed assets investment of the PRC (excluding rural household) in 2022 grew by 5.1% compared to the previous year to RMB57.2138 trillion. Among which, growth in fixed assets investment is seen in Central China and Northeast China, which increased by 8.9% and 1.2% respectively. Investment in infrastructure (excluding production and supply of electricity, heat, gas and water) increased by 9.4% when compared to last year.

In 2022, according to the data released by the Ministry of Transport of China, the national railway fixed assets investment totalled RMB710.9 billion for the year, representing a decrease of 5.1% from the previous year; from January to November, the fixed assets investment in road and waterway transportation across the country was RMB2,764.7 billion, representing an increase of 9.2% over the same period of the previous year, with the investment in road construction amounting to RMB2,616.8 billion, an increase of 9.1% over the same period of the previous year, and the investment in water transportation construction amounting to RMB147.8 billion, an increase of 10.2% over the same period of the previous year; among which, Henan Province completed a fixed assets investment of RMB149.8 billion in road and waterway transportation, representing an increase of 49.2% over the same period of the previous year, with an investment of RMB147.6 billion in road construction, an increase of 49.5% over the same period of the previous year, and an investment of RMB2.2 billion in water transportation construction, an increase of 34.6% over the same period of the previous year; Liaoning Province completed a fixed assets investment of RMB17.9 billion in road and waterway transportation, representing an increase of 48.7% over the same period of the previous year, with an investment of RMB17.2 billion in road construction, an increase of 85.9% over the same period of the previous year, and an investment of RMB0.7 billion in water transportation construction, a decrease of 74.2% over the same period of the previous year. According to the data available, compared with the growth of other provinces in the country, from January to November 2022, the fixed assets investment scale of road and waterway transportation in Henan Province ranked seventh nationally and came in first in terms of growth. The investment in fixed assets of road and waterway transportation in Liaoning Province recorded the second largest growth rate with a relatively small investment scale.

In 2022, the property sector continued to adhere to the positioning that houses are for living in, not for speculation, implemented city-specific policies to support the rigid and upgrading demand for houses, and safeguarded the legitimate interests of housing consumers and the stable development of the real estate market. According to the data released by the National Bureau of Statistics, the national investment in real estate development amounted to RMB13.2895 trillion, representing a decrease of 10.0% over the previous year. The sales area of commercial housing was 1,358.37 million square metres, a decrease of 24.3% over the previous year. The housing construction area was 9,049.99 million square metres, a decrease of 7.2% over the previous year. The area of new housing construction was 1,205.87 million square metres, a decrease of 39.4% over the previous year. The area of housing completed was 862.22 million square metres, a decrease of 15.0% over the previous year.

In 2022, the level of urbanisation increased slightly, whereas the coordinated development of urban and rural areas advanced steadily. According to data released by the National Bureau of Statistics, the nationwide urbanisation rate of long-term population at the end of the year was 65.22%, representing an increase of 0.50% over the end of the previous year. Promotion of major regional strategies, such as construction in the Guangdong-Hong Kong-Macao Greater Bay Area, ecology conservation in the Yellow River Basin and high-quality development, made solid progress.

CEMENT INDUSTRY

In 2022, under the influence of scattered and recurring epidemics, a sluggish real estate market and increasing downward pressure on the economy, the domestic demand for cement shrank rapidly. According to the data from the National Bureau of Statistics, the domestic production volume of cement for 2022 was 2.13 billion tonnes, representing a decrease of 10.5% as compared to 2021. The production volume of cement was the lowest since 2012, representing the biggest decline since 1969, and the year-on-year decline has reached double-digit levels for the first time. According to the analysis of Digital Cement, the website of China Cement Association, looking into the regions, the year-on-year growth rate of cement production in the six major regions of the country dropped significantly. Among them, Northeast and Southwest China registered the largest decline by falling nearly 20%, while South Central, East and Northwest China saw relatively small declines by dropping nearly or less than 10%.

The cement price declined generally in 2022. According to the Digital Cement, the website of China Cement Association, also affected by the above factors, the average price throughout the year in the cement market was RMB466 per tonne (the actual price), representing a year-on-year decrease of 4.2%. Meanwhile, the coal price has risen sharply, and the cost of cement production has increased significantly, affecting the overall efficiency of the entire industry. The annual profit of the cement industry is expected to be approximately RMB68 billion, which decreased by over RMB100 billion as compared to 2021, representing a year-on-year decrease of approximately 60%.

The policies on production capacity continued to be strengthened and optimised. Stringent control over new production capacity and tighter policies on capacity replacement persisted in the cement industry. In July 2022, the "Notice on Issuing the Implementation Plan for Carbon Peaking in the Industrial Sector" issued by three authorities including the Ministry of Industry and Information Technology stipulated the strict implementation of the polices on capacity replacement in industries such as steel, cement, flat glass, and electrolytic aluminium. By 2025, the overall energy consumption level of products from cement and clinker units shall drop by more than 3%. In 2022, affected by the stringent control over capacity replacement as well as the weak downstream demand and high production costs, capacity replacement fell sharply in the industry. According to the statistics of Cement.com, approximately 4.495 million tonnes of production capacity of clinker were replaced during the year, representing a decrease of approximately 89% over the previous year. Normalisation of staggered production continued to be promoted actively and the relationship between supply and demand in inventory was further optimised in the cement industry.

A series of national policies on energy conservation and carbon reduction have been issued. (1) In January 2022, the "Notice on Issuing the Plan for Modern Energy System During the '14th Five-Year Plan' Period" issued by the National Development and Reform Commission and the National Energy Administration specified the major attention and support to be given to the wind power, photovoltaic, energy storage, hydrogen energy and new energy vehicle sectors. (2) In February 2022, four ministries and commissions including the National Development and Reform Commission issued the "Notice on Issuing the 'Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrading in Key Areas of High Energy Consumption Industries (2022 Edition)'", in which the "Guidelines for the Implementation of Energy Conservation and Carbon Reduction Transformation and Upgrading in the Cement Industry" stipulated that by 2025, the proportion of clinker production capacity above the energy efficiency benchmark level in the cement industry shall reach 30%, and the clinker production capacity below the energy efficiency benchmark level shall be largely phased out. The National Development and Reform Commission issued the "Notice on Further Improving the Coal Market Price Formation Mechanism" to regulate the coal price regulation mechanism accordingly. (3) In June 2022, seven ministries and commissions, including the Ministry of Ecology and Environment, issued the "Implementation Plan for Synergistic Efficiency Enhancement of

Pollution Reduction and Carbon Reduction" to promote synergistic efficiency enhancement of pollution reduction and carbon reduction with multiple measures. The "Notice on Issuing the Action Plan for Energy Efficiency Enhancement in Industries" issued by six authorities including the Ministry of Industry and Information Technology mentioned that the energy efficiency of key products of industries such as the building materials industry shall reach an internationally advanced level. (4) In November 2022, the "Implementation Plan for Carbon Peaking in the Building Materials Industry" issued by four authorities including the Ministry of Industry and Information Technology proposed that the building materials industry shall achieve carbon peaking by 2030 and encouraged competent industries to reach the peak first. During the "15th Five-Year Plan" period, major breakthroughs in the industrialisation of key green and low-carbon technologies in the building materials industry shall be achieved, substitution of raw materials and fuels shall be greatly increased, and an industrial system for green, low-carbon development cycle shall be largely established. The Ministry of Industry and Information Technology issued the "Catalogue of Recommended Energy-saving Technologies and Equipment in the National Industry and Information Technology Sector (2022 Edition)", which included the technology for cement raw meal grinding aid, the technology for energy-saving low-nitrogen burner, and energy-saving low-carbon burner in the energy-saving and efficiency-enhancing technologies in the building materials industry.

On the continuous expansion of the industrial chain, in respect of aggregate, cement enterprises with self-owned mines, especially large cement enterprises, continued to use their own advantages to develop aggregate, sand and gravel business. In respect of policies, the PRC government continued to strengthen the management of river sand mining, which was conducive to improving the competitiveness of machine-made sand. In February 2022, the General Office of the Ministry of Water Resources issued the "Notice on Issuing the Key Points of the 2022 River and Lake Management Work". On prefabricated construction, in May 2022, the PRC government issued the "Opinions on Promoting Urbanization Construction with Countryside as an Important Carrier" (hereinafter referred to as the "Opinions"), proposing to vigorously develop green buildings, promote prefabricated buildings and green building materials, and fully implement green construction. On new energy, the PRC government pointed out in the "Opinions" that it will promote the clean, low-carbon, safe and efficient use of energy, guide the consumption of non-fossil energy and the development of distributed energy, and promote rooftop distributed photovoltaic power generation in areas where conditions permit. In practice, some cement enterprises in the industry have taken the initiative to carry out photovoltaic power generation business by taking advantage of their own advantages. On the development of new materials, some cement enterprises in the industry have begun to use their own advantages to try emerging materials such as nano-calcium and polysilicon.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB11,055.4 million in 2022, representing a decrease of RMB1,661.4 million, or 13.1%, from approximately RMB12,716.8 million in 2021.

The revenue from cement sales was approximately RMB8,552.7 million in 2022, representing a decrease of RMB2,853.0 million, or 25.0%, as compared with 2021. Our sales volume of cement decreased by 8.0 million tonnes or 22.3%, from approximately 35.7 million tonnes in 2021 to approximately 27.7 million tonnes in 2022.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2022 were primarily used to satisfy the internal demand for cement production. Only approximately 2.7 million tonnes of the Group's clinkers were sold externally. Approximately RMB849.8 million of revenue generated from our clinker sales was recorded in 2022, representing an increase of RMB424.5 million, or 99.8%, from approximately RMB425.3 million in 2021. The increase in revenue was mainly due to the increase in the sales volume and selling price of clinkers.

Revenue from our sales of aggregate amounted to approximately RMB1,653.0 million, representing an increase of approximately RMB767.2 million, or 86.6%, from approximately RMB885.8 million in 2021. The sales volume of aggregate amounted to approximately 41.9 million tonnes, representing an increase of approximately 21.9 million tonnes or 109.1% as compared to approximately 20.0 million tonnes in 2021. The increase in revenue was mainly due to the increase in the sales volume of aggregate.

In 2022, the Group's sales revenue from Central China amounted to approximately RMB8,835.0 million, representing a decrease of RMB515.9 million or 5.5% as compared to approximately RMB9,350.9 million in 2021. The Group's sales revenue from Northeast China amounted to approximately RMB2,220.4 million, representing a decrease of RMB1,145.4 million or 34.0% as compared to approximately RMB3,365.8 million in 2021.

In 2022, revenue from our sales of cement, clinker and aggregate accounted for approximately 77.3% (2021: 89.7%), 7.7% (2021: 3.3%) and 15.0% (2021: 7.0%) of the total revenue, respectively.

Cost of Sales

In 2022, the Company continued its efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our cost of sales was approximately RMB8,341.6 million during the reporting period, representing a decrease of RMB1,141.4 million, or 12.0% as compared with 2021. The decrease was primarily due to decrease in sales volume of cement.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In 2022, our costs of raw materials, coal and electricity as a percentage of cost of sales of cement and clinker were approximately 28.4%, 44.4% and 11.9%, respectively. During the period, our costs of raw materials, coal and electricity for one tonne of cement and clinker were approximately RMB70.5, RMB110.3 and RMB29.6, respectively, representing a decrease of RMB10.7, an increase of RMB11.4 and an increase of RMB2.3, respectively, as compared with 2021.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB2,713.8 million for the year ended 31 December 2022, representing a decrease of RMB520.0 million, or 16.1%, from approximately RMB3,233.8 million in 2021. Our gross profit margin decreased to approximately 24.5% in 2022 from approximately 25.4% in 2021. The decrease in gross profit margin was primarily due to the decrease in the price of cement and the increase in the cost per tonne in 2022.

In 2022, the Group's segment profit from Central China amounted to approximately RMB845.7 million, representing a decrease of RMB329.8 million or 28.1% as compared to approximately RMB1,175.5 million in 2021. The decrease was due to the decrease in the sales volume and unit gross profit of cement in the region. The Group's segment profit from Northeast China amounted to approximately RMB89.2 million, representing a decrease of RMB286.5 million or 76.2% as compared to a segment profit of approximately RMB375.7 million in 2021, which was primarily due to the decrease in sales volume and gross profit of cement in Northeast China.

Other Income

Other income was approximately RMB534.5 million for the year ended 31 December 2022, representing an increase of RMB12.6 million, or 2.4%, from approximately RMB521.9 million for the year ended 31 December 2021. Among other income for the year, VAT refund decreased due to the decrease in revenue and gross profit; and revenue from other operations increased, resulting in the overall other income remaining stable as compared to the last year.

Selling and Distribution Expenses

For the year ended 31 December 2022, selling and distribution expenses were approximately RMB240.6 million, representing a decrease of RMB175.7 million or 42.2% as compared to approximately RMB416.3 million for the year ended 31 December 2021. The decrease was primarily 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 were approximately RMB954.3 million for the year ended 31 December 2022, representing an increase of RMB37.3 million, or 4.1%, from approximately RMB917.0 million for the year ended 31 December 2021. The increase in administrative expenses was mainly due to the amortization period of software being shortened which has led to an increase in amortization of intangible assets.

Other Expenses

Other expenses were approximately RMB110.1 million for the year ended 31 December 2022, representing an increase of approximately RMB5.0 million, or 4.7%, from approximately RMB105.1 million for the year ended 31 December 2021. The increase in such expenses was mainly due to the seasonal suspension of production.

Finance Costs

Finance costs were approximately RMB1,033.4 million for the year ended 31 December 2022, representing an increase of RMB31.9 million, or 3.2%, from approximately RMB1,001.5 million for the year ended 31 December 2021. The increase was primarily attributable to the increase in the interest expense related to other financial liabilities.

Foreign Exchange Gains/Losses

During the reporting period, the Group recorded a foreign exchange loss of RMB141.6 million (same period of 2021: gain of RMB88.4 million), which was due to the fact that part of the Group's loans were denominated in USD, and the appreciation of USD against RMB during the reporting period.

PROFIT BEFORE TAX

As a result of the foregoing, our profit before tax was approximately RMB687.9 million for the year ended 31 December 2022, representing a decrease of approximately RMB765.2 million, or approximately 52.7%, from approximately RMB1,453.1 million for the year ended 31 December 2021.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB148.6 million for the year ended 31 December 2022, representing a decrease of RMB23.0 million, or about 13.4% from approximately RMB171.6 million for the year ended 31 December 2021. The decrease was primarily attributable to the 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 year ended 31 December 2022 was approximately RMB448.7 million, representing a decrease of RMB751.9 million, or about 62.6%, from approximately RMB1,200.6 million for the year ended 31 December 2021. The net profit margin decreased from 9.4% for the year ended 31 December 2021 to 4.1% for the year ended 31 December 2022.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables increased from approximately RMB8,351.3 million for the year ended 31 December 2021 to approximately RMB9,240.2 million for the year ended 31 December 2022, mainly due to the increase in prepayments to suppliers.

Amounts Due from an Associate

The amounts due from an associate of approximately RMB1,446.0 million for the year ended 31 December 2022 (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.

Inventories

Inventories increased from approximately RMB850.7 million for the year ended 31 December 2021 to approximately RMB1,043.0 million for the year ended 31 December 2022, primarily due to the increase in the inventory amount during the year 2022.

Cash and Cash Equivalents

Cash and bank balance decreased from approximately RMB2,310.6 million for the year ended 31 December 2021 by RMB1,322.8 million or 57.2% to approximately RMB987.8 million for the year ended 31 December 2022, primarily due to the effect of cash from operation activities being outweighed by cash outflow from investing activities and financing activities.

Borrowings

As at 31 December 2022, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB1,042.0 million or 9.8%, from approximately RMB10,664.7 million in 2021 to approximately RMB9,622.7 million. Borrowings due within one year, guaranteed mid-term bills, corporate bonds and other financial liabilities increased from approximately RMB8,099.8 million for the year ended 31 December 2021 to approximately RMB8,225.7 million for the year ended 31 December 2022; borrowings due after one year, long-term corporate bonds and other financial liabilities decreased from approximately RMB2,564.9 million for the year ended 31 December 2021 to approximately RMB1,397.0 million for the year ended 31 December 2022.

Principal Sources of Liquidity

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2022, the Group was not involved in any material investments, acquisitions or disposals.

GEARING RATIO

For the year ended 31 December 2022, the gearing ratio was approximately 48.7%, representing a decrease of 2.1 percentage points from approximately 50.8% for the year ended 31 December 2021. The change of gearing ratio was due to the increase in equity of the owners.

For the year ended 31 December 2022, the current ratio was approximately 1.2, remaining stable as compared to 1.3 for the year ended 31 December 2021, while the quick ratio was approximately 1.2, remaining the same as compared to 1.2 for the year ended 31 December 2021.

For the year ended 31 December 2022, the debt equity ratio was approximately 0.9, representing a decrease of 8.0% as compared to approximately 1.0 for the year ended 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/shareholders' equity interest, of which, shareholders' equity interest includes minority interest and non-controlling interest.

NET GEARING RATIO

As at 31 December 2022, the net gearing ratio was approximately 24.9%, remaining stable as compared to approximately 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 year ended 31 December 2022 was approximately RMB936.6 million (2021: approximately RMB547.8 million) and capital commitments for the year ended 31 December 2022 was approximately RMB527.1 million (2021: approximately RMB334.9 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2022, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,585.1 million (2021: approximately RMB4,259.1 million).

FINANCIAL GUARANTEES

As at 31 December 2022, we have provided approximately RMB1,632.0 million (as at 31 December 2021: approximately RMB1,863.6 million) of authorized financial guarantees to related parties, among which approximately RMB802.8 million (as at 31 December 2021: approximately RMB1,182.7 million) have been utilized. We did not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees (as defined in the circular of the Company dated 5 December 2019) according to the 2019 Framework Agreement in relation to provision of mutual guarantees (as defined in the circular of the Company dated 5 December 2019), the details of which are set out in the circular of the Company dated 5 December 2019.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2022, the Group did not hold any significant investment, make any significant investment or acquire any capital assets.

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.

DETAILS OF IMPORTANT EVENTS AFFECTING THE GROUP WHICH HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR UNDER REVIEW

The Company is not aware of any important events affecting the Group which have occurred since the end of the financial year under review.

MARKET RISKS

Interest Rate Risk

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

Liquidity Risk

The Group has established an appropriate liquidity risk management system for its short, medium and long-term funding and liquidity management requirements. 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 monitors the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange Rate Risk

The Group's businesses are principally denominated in Renminbi, and certain bank balances and borrowings are denominated in Hong Kong Dollar or United States Dollar, which expose the Group to exchange rate fluctuation risk. Currently, the Group 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, reasonably limit the domestic and foreign currency risk exposure, and take appropriate hedging measures to control the significant exchange rate fluctuation risk when necessary.

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2022, the Group had 7,299 employees (2021: 7,353). In 2022, the employees' cost (including remuneration) was approximately RMB564.7 million (2021: approximately RMB567.4 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

Looking forward to 2023, the epidemic prevention and control have been relaxed nationwide, and the impact of the subsequent epidemic is being eliminated or weakened. With the convening of the 20th National Congress of the Communist Party of China in the third quarter of last year, the Central Economic Work Conference and this year's "Two Sessions" and other important national meetings as well as the implementation of the convention philosophy and development plans, a new series of economic growth plan is launched and carried out, and hence infrastructure investment is expected to maintain or further accelerate growth. In the short term, based on the national and local policies on real estate, real estate will still be an important industry in the national economy, and the real estate market is expected to bottom out or stabilize gradually.

From the supply perspective, policies and measures such as "carbon neutrality", environmental protection control, and alternative production are normalized. The government strictly restricts new production capacity, and the standards for capacity replacement are gradually raised, thereby alleviating the problem of excess production capacity. The cement industry's production capacity structure and supply-demand relationship are expected to be further optimized.

The overall policy environment and the advantage of the cement industry at present is conducive to cement enterprises, especially large-scale cement enterprises, to further expand the industrial chain of mine integration and exploitation, sand and gravel aggregates, commercial concrete, prefabricated construction, new materials and photovoltaic energy.

The Company will continue to adhere to policies and measures such as "carbon neutrality" and alternative production together with the industry to maintain and constantly improve the industry structure. At the same time, the Company will take advantage of the favourable environment of the cement industry to extend the industrial chain in a timely, proper and appropriate manner, look for new profit growth points, and continue with intelligent and green transformation of existing production facilities so as to embrace intelligence and green development in line with the sustainable development of our enterprises.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

As always, the Company assumes social responsibilities, protects the ecological environment and achieves sustainable development. The Group proactively responded to the national "carbon reduction" policy, earnestly implemented environmental protection policy and alternative production policy, promoted energy conservation, emission reduction and pollution prevention, as well as proactively participated in the performance assessment on heavily polluted weather. Six subsidiaries of the Group were selected as the "Energy and Carbon Management Demonstration Enterprises" in Henan Province, among which Tianrui Zhengzhou Cement was selected as the "Pilot Enterprises of Peak Carbon Dioxide Emissions" in Henan Province; Tianrui Xindeng Cement Phase I photovoltaic power generation was connected to the grid during the reporting period; the Group added 1 class A, 3 class B and 2 performance leading enterprises, and the total number of class A, class B and performance leading enterprises reached 23. The Company also strengthened the ecological restoration of mines and greening of factories, and 13 mines and 9 factories were recognized as national or provincial green mines and green factories. The Group pushed forward the project of collaborative disposal of waste and urban sludge for cement kilns, and continued to carry out activities to improve quality, reduce consumption and enhance efficiency. Two of its branches and subsidiaries were selected as the "performance leaders" on meeting the standards in energy efficiency. In addition, the Company actively developed photovoltaic power generation projects in response to the "carbon neutrality" and new energy policies. The management attached great importance to the cultivation of professional skills and team building of employees, and the Company has won many major awards. For example, in the cement chemical analysis skills competition named "Kangnuofu Cup", all 27 companies of the Group won awards. The Group is committed to continuously optimizing the production process and establishing smart manufacturing demonstration enterprises. The Group's "Smart Manufacturing Solution for Process Industry" won the Outstanding Application Award for Smart Manufacturing in China. Tianrui Ningling Cement was listed in the 2022 Provincial Manufacturing High-quality Development Special Fund Support Project List, and was awarded the title of "Smart Factory" in Henan Province. Liaoyang Tianrui Cement was awarded the title of "Smart Demonstration Factory" in Liaoning Province, and was selected as the "Key Cultivation and Digital Transformation Demonstration Enterprise" in Liaoning Province in 2022. During the year, 3 subsidiaries of the Group were recognized as high-tech enterprises, and the number of high-tech enterprises under the Group increased to 18.

CORPORATE GOVERNANCE

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

For the period from 1 January 2022 to 31 December 2022, the Company has adopted the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Save as disclosed in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2022.

According to code provision C.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a new chief executive officer since the resignation of the former chief executive officer of the Company on 1 December 2015. The Company has been identifying a new chief executive officer in an active manner since then. In the meantime, the Board of the Company established an Executive Committee, which was composed of three executive Directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group, and the chairman of the Board is not one of the Executive Committee members, thus ensure that the authority is not vested in the same individual.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2022.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference set out in the Corporate Governance Code. The principal duties of the audit committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. The audit committee under the Board of the Company has discussed and reviewed the consolidated financial statements of the Group for the year ended 31 December 2022 and this announcement with the management of the Company.

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

During the year ended 31 December 2022, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

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

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2022.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.trcement.com and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The annual report for the year ended 31 December 2022 of the Company containing all the information required by the Listing Rules will also be dispatched to the shareholders of the Company and be published on the same websites in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2022 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year as approved by the Board of Directors on 28 March 2023. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 28 March 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

Independent Non-executive Directors
Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang