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

2023

ANNUAL REPORT


天瑞水泥

CONTENTS

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

EXECUTIVE DIRECTORS

Mr. Li Xuanyu (Chairman of the Board)
Ms. Li Fengluan
Mr. Ding Jifeng
Mr. Xu Wuxue
Mr. Li Jiangming

NON-EXECUTIVE DIRECTOR

Mr. Li Liufa

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
Industrial and Commercial Bank of China
China Construction Bank
Agricultural Bank of China
Bohai Bank
Zhongyuan Bank
China Everbright Bank
Guangdong Development Bank

REGISTERED OFFICE

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Cayman Islands

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Henan Province
PRC

PLACE OF BUSINESS IN HONG KONG

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Harbour Centre,
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Wanchai, 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

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
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KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
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Hong Kong
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong law

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89 Queensway, Admiralty, Hong Kong

As to PRC law

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No. 19 Financial Street
Xicheng District
Beijing 100033
PRC

HONG KONG SHARE REGISTRAR

Computershare Hong Kong Investor Services Limited
Rooms 1712–1716, 17th Floor
Hopewell Centre
183 Queen's Road East
Wanchai, Hong Kong

Company Profile

China Tianrui Group Cement Company Limited is one of the top 12 national cement producers which has received key support from the PRC government. When undertaking cement industry-specific mergers and acquisitions and seeking project investments, our Group receives government support in the form of priority and preferential policies with respect to project approvals, grants of land use right and credit approvals. The Group has actively adapted to the changes to the policies of the state and the industry, and strives to achieve environmental protection and sustainable development through advanced technological equipment, reasonable regional layout, sufficient reserve of resources, standardized management and brand advantages. The Group can achieve rapid development and maintain and strengthen its leading market position in Henan and Liaoning provinces.

Advanced technological equipment. As of 31 December 2023, all of our clinker production lines are New Dry Process clinker production lines (NSP technology) equipped with residual heat recovery power generation equipment, which can effectively reduce electricity cost and pollution. The clinker production line in Xingyang, Zhengzhou with a daily production capacity of over 12,000 tonnes was completed and put into operation in 2009, which represented the world's leading clinker production line, and operated smoothly with remarkable benefits since its commencement of production. In recent years, the Group has carried out intelligent upgrading and transformation of various production and operation aspects including equipment. A number of production and management aspects have become "Unmanned (無人化)". Many of its subsidiaries have been upgraded to intelligent factories, and have started the upgrading and construction of intelligent mines in Xingyang, Zhengzhou.

Reasonable regional layout. The Group mainly maintains its layout in Henan and Liaoning, as well as the involvement in Tianjin and Anhui. The Group has three core regional markets: the layout of "Central China City Cluster" with Zhengzhou as the center where Central China Cement Industry Base is developed; the "Bohai Bay" market layout along the main axis and the two sides of the central cities of Shenyang and Dalian; and the southern and coastal markets such as Jiangsu, Zhejiang, Fujian and Guangdong connected through the excellent ports in Dalian, Tianjin, Yingkou, etc.

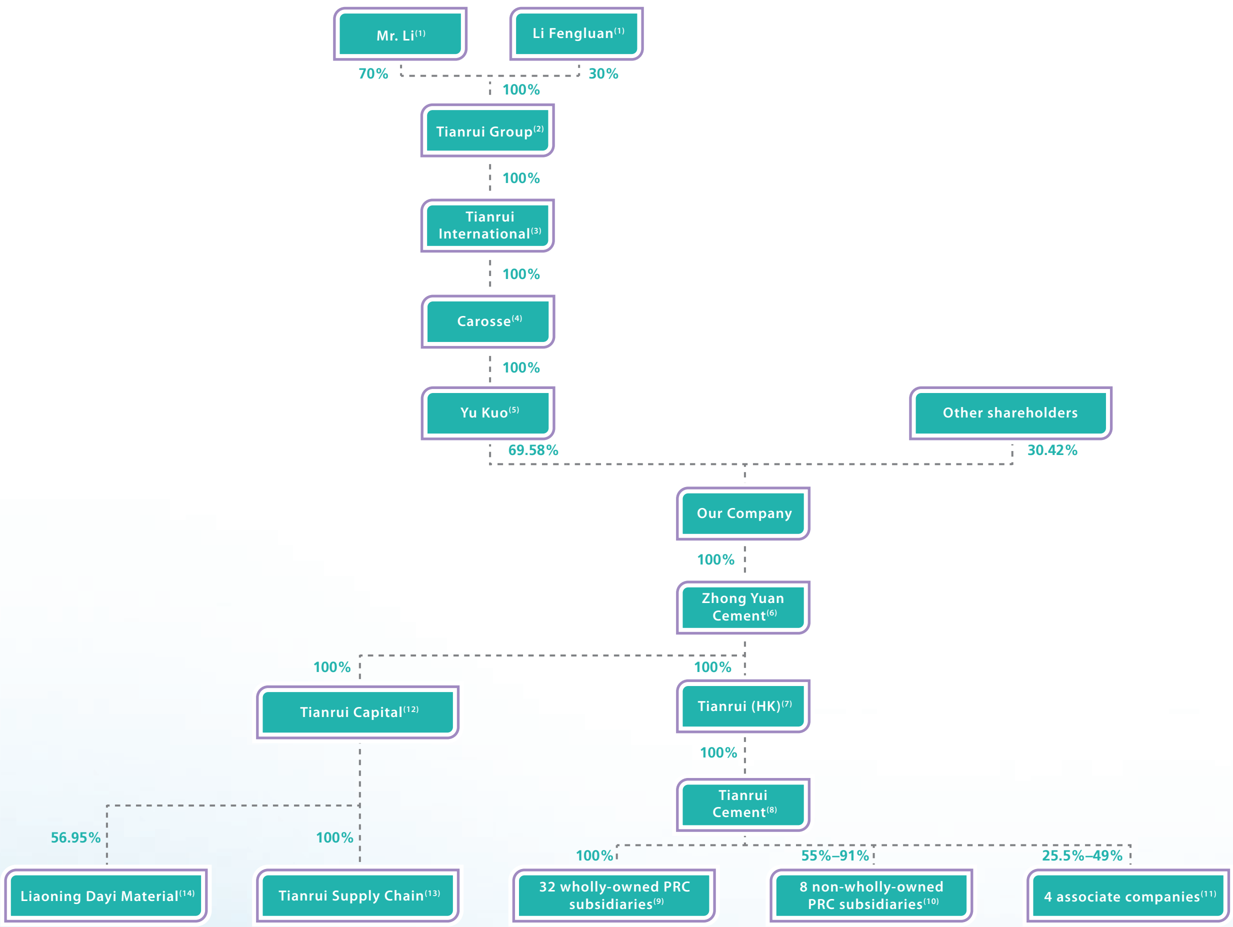
Sufficient reserve of resources. We have sufficient limestone reserves and composite materials in our major operation areas such as Henan, Anhui and Liaoning provinces, and are desirous of acquiring additional quarries. All of our clinker production lines are located near our limestone quarries.

Standardized management and brand advantage. The Group has adopted a management model in line with international standards. The timely technical support provided by our professional technology team to the Group's management and control has laid down the foundation of our product quality and operation safety management. Our Group is one of the few cement producers in China which have obtained the International Organization for Standardization (ISO) certifications for three management systems of quality control, environmental protection and occupational health and safety and for product quality, at both the parent and operating subsidiary levels. Leveraging our management and high-quality products, we have successfully won tenders and become a qualified primary cement provider for a number of high-profile, large-scale infrastructure projects in China, including, among other, key projects of large-scale water conservancy, express railway, highway, bridge, port and tunnel such as the South-North Water Transfer (南水北調), Harbin-Dalian Express Railway (哈大高鐵), Shijiazhuang-Wuhan Express Railway (石武高鐵), Zhengzhou-Xuzhou Express Railway (鄭徐高鐵), Zhengzhou-Wanzhou Express Railway (鄭萬高鐵), Beijing-Shenyang Passenger Dedicated Line (京瀋客專), Yellow River Bridge (黃河大橋), Dalian Port (大連港) and Dalian Bay Underwater Tunnel Project (大連灣海底隧道項目).

Committed to environment protection and sustainable development. The Group is committed to the research and development of advanced and environmentally-friendly technologies and recycling of waste materials. We have invested to construct residual heat recovery power generation equipment, to improve dust recovery equipment, the rectification facility on super low Nitrogen Oxides emission, and to construct mullock recycle system and urban waste materials recycle system. The Group is committed to establishing green mines, green factory and clean factory, and several factories under the Group have been credited as green mines, green factories and clean factories. We are also one of the three Chinese cement companies that have been accepted by World Business Council for Sustainable Development as a member of the Cement Sustainability Initiative (CSI). The Group will as always improve its competitiveness and sustainability, and believes that it will achieve better results in future.

I. CORPORATE STRUCTURE

As of 31 December 2023, the corporate structure of our Group was as follows:



Notes:

(1) "Mr. Li" refers to Mr. Li Liufa (李留法), the founder, non-executive director and controlling shareholder of our Group. Ms. Li Fengluan is the spouse of Mr. Li and an executive Director of the Company.

(2) "Tianrui Group" refers to Tianrui Group Company Limited (天瑞集團股份有限公司), a company incorporated in the PRC with limited liability, which is 70% owned by Mr. Li and 30% owned by Ms. Li Fengluan.

(3) "Tianrui International" refers to Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui Group.

(4) "Carosse" refers to Carosse Limited (卡萊斯有限公司), a company incorporated in Hong Kong with limited liability which is wholly owned by Tianrui International.

(5) "Yu Kuo" refers to Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International.

(6) "Zhong Yuan Cement" refers to Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of our Company.

(7) "Tianrui (HK)" refers to China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company.

(8) "Tianrui Cement" refers to Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(9) The 32 wholly-owned PRC subsidiaries of our Group are Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司, "Zhoukou Cement"), Shangqiu Tianrui Cement Company Limited (商丘天瑞水泥有限公司, "Shangqiu Cement"), Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司, "Dalian Cement"), Yingkou Tianrui Cement Company Limited (營口天瑞水泥有限公司, "Yingkou Cement"), Tianrui Group Nanzhao Cement Company Limited (天瑞集團南召水泥有限公司, "Nanzhao Cement"), Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司, "Liaoyang Cement"), Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司, "Yuzhou Cement"), Tianrui Group Xuchang Cement Company Limited (天瑞集團許昌水泥有限公司,"Xuchang Cement"), Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司, "Zhengzhou Tianrui"), Tianrui Group Xiaoxian Cement Company Limited (天瑞集團蕭縣水泥有限公司, "Xiaoxian Cement"), Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司, "Weihui Cement"), Tianjin Tianrui Cement Company Limited (天津天瑞水泥有限公司, "Tianjin Cement"), Tianrui Group Ningling Cement Company Limited (天瑞集團寧陵水泥有限公司, "Ningling Cement"), Lushan Antai Cement Company Limited (魯山縣安泰水泥有限公司, "Lushan Antai"), Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司, "Liaota Cement"), Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司, "Liaota Mining"), Liaoning Liaodong Cement Company Limited (遼寧遼東水泥集團有限公司, "Liaodong Cement"), Liaoyang Tianrui Weiqi Cement Company Limited (遼陽天瑞威企水泥有限公司, "Weiqi Cement"), Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司, "Dalian Jinhaian"), Haicheng the First Cement Company Limited (海城市第一水泥有限公司, "Haicheng Cement"), Haicheng Tianying Construction Stone Mining Company Limited (海城市天鷹建築石材採掘有限公司, "Tianying Mining"), Zhuanghe Tianrui Cement Company Limited (莊河天瑞水泥有限公司, "Zhuanghe Cement"), Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限責任公司, "Panjin Cement"), Xinyang Tianrui Cement Company Limited (信陽天瑞水泥有限公司, "Xinyang Cement"), Henan Yongan Cement Company Limited (河南永安水泥有限責任公司, "Yongan Cement"), Zhong Yuan Tianrui Power Company Limited (中原天瑞電力有限公司, "Tianrui Power"), Henan Tianrui Building Materials Technology Company Limited (河南天瑞建材科技有限公司, "Tianrui Building Materials"), Henan Tianrui Cement Company Limited (河南天瑞水泥有限公司, "Henan Tianrui Cement"), Tianrui Group Zhengzhou New Materials Company Limited (天瑞集團鄭州新材料有限公司, "Zhengzhou New Materials") and Tongxu County Tianrui Building Materials Technology Company Limited (通許縣天瑞建材科技有限公司, "Tongxu Tianrui Building Materials"), Henan Shengye Cement Sales Company Limited (河南聖業水泥銷售有限公司) ("Henan Shengye") and Liaoning Shengye Building Materials Sales and Service Company Limited (遼寧聖業建材銷售服務有限公司) ("Liaoning Shengye"). The registered shareholder of Henan Shengye and Liaoning Shengye is Tianrui Group who held the shares in entities as nominee for and on behalf of the Group. A list of the Company's principal subsidiaries as at 31 December 2023 and their respective particulars are set out in Note 50 to the Consolidated Financial Statements.

(10) The 8 non-wholly-owned PRC subsidiaries of our Group are Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司, "Yaodian Cement"), the other shareholder is Pingdingshan Huaguan Power Technology Service Company Limited (平頂山華冠電力技術服務有限公司) which holds 9% equity interest in Yaodian Cement; Liaoyang Tianrui Chengxing Cement Company Limited (遼陽天瑞誠興水泥有限公司, "Chengxing Cement"), the other shareholder is Yang Qinggeng (楊慶庚), who holds 30% equity interest; Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司, "Tiger Cement"), the other shareholder is Shenyang Taifeng Special Concrete Company Limited (瀋陽泰豐特種混凝土有限公司) which holds 40% equity interest; Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司, "Xindeng Cement"), the other shareholder is Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) which holds 45% equity interest; Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司, "Ruzhou Cement"), the other shareholder is CCB Financial Asset Investment Company Limited (建信金融資產投資有限公司), which holds 28.61% equity interest; Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司, "Guangshan Cement") and the other shareholder is CCB Financial Asset Investment Company Limited, which holds 40.21% equity interest; Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司, "Zhengzhou Cement (Xingyang)") and the other shareholder is Henan Tianrui Green Mines Investment Fund (Limited Partnership) (河南天瑞綠色礦山投資基金(有限合夥)) which holds 26.85% equity interest; and Henan Tianrui Wanji New Materials Company Limited (河南天瑞萬基新材料有限公司, "Tianrui Wanji New Materials"), the other shareholder is Wanji Holding Group Co., Ltd. (萬基控股集團有限公司) which holds 30% equity interest.

(11) The four associates companies of the Group are Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司, "Ruiping Shilong"), a company established in the PRC with limited liability, its 40% equity interest is held by Tianrui Cement and the other shareholder, Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司 ("Ruiping Power")), is holding its 60% equity interest. Ruiping Power is held by Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") (indirectly and jointly wholly-owned by Mr. Li and Ms. Li Fengluan (Mr. Li's spouse)) as to 40% and by an Independent Third Party as to 60%; Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司, "Tianrui Finance"), a company established in the PRC with limited liability, its 25.5% equity interest is held by the Company and 74.5% equity interest is held by the other shareholders, being Tianrui Group and its subsidiaries; China United Cement Xinan Wanji Company Limited (新安中聯萬基水泥有限公司) ("China United Wanji"), a company established in the PRC with limited liability, its 49% equity interest is held by the Company; and Guangshan Yuanda Construction Technology Company Limited (光山縣遠大建築科技有限公司) ("Yuanda Construction"), a company established in the PRC with limited liability, its 35% equity interest is held by Guangshan Cement, a subsidiary of the Company.

(12) "Tianrui Capital" refers to Tianrui Capital (Hong Kong) Company Limited (天瑞資本(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of our Company.

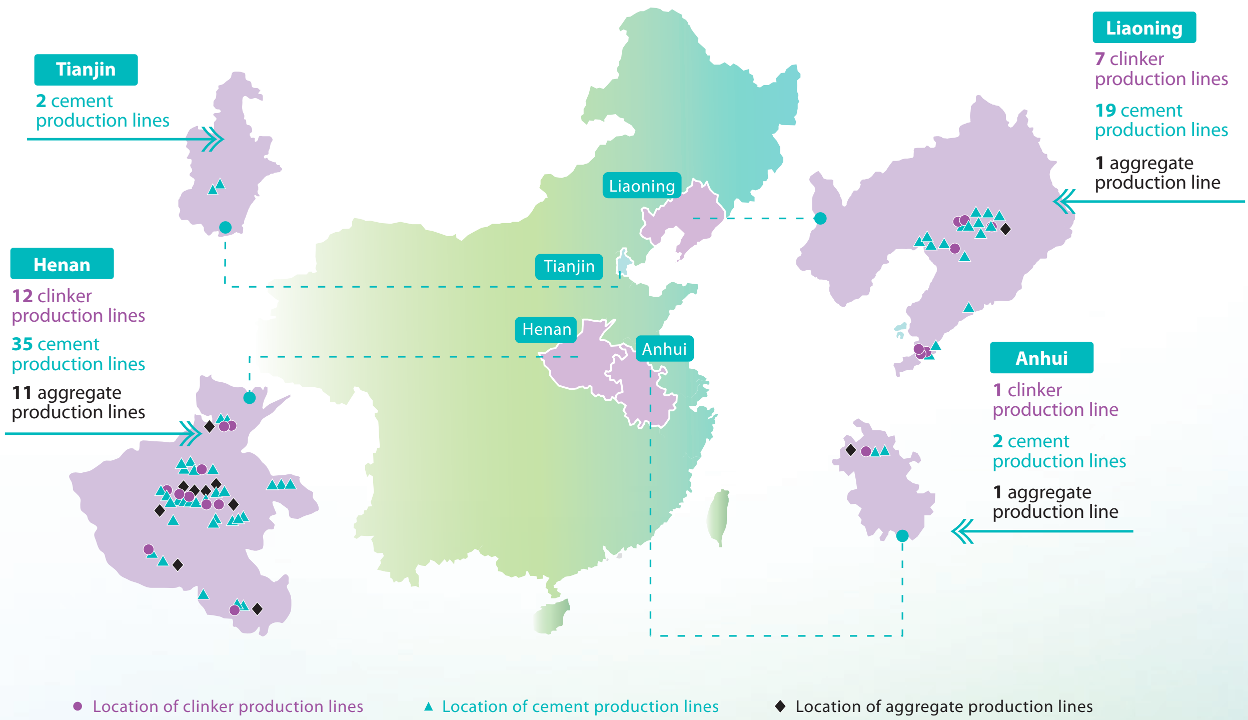
(13) "Tianrui Supply Chain" refers to Tianrui Supply Chain Management Company Limited (天瑞供應鏈管理有限公司), a company incorporated in the PRC with limited liability and a wholly-owned subsidiary of our Company.

(14) "Liaoning Dayi Material" refers to Liaoning Dayi Material Equipment Technology Co., Limited (遼寧大易材料裝備科技有限公司), a company incorporated in the PRC with limited liability and a non-wholly-owned subsidiary of our Company, and the other shareholder is Central Dayi Technology Co., Ltd, (中原大易科技有限公司) which holds 43.05% equity interest.

II. DISTRIBUTION AND PRODUCTION CAPACITY OF PRODUCTION FACILITIES

The Group's operating production facilities are mainly located in Henan province, Liaoning province, Tianjin city and certain parts of Anhui province. Our production facilities in Henan province are centered in Zhengzhou and are strategically located along the "Two Vertical and Three Horizontal" expressways and the "Two Vertical and Two Horizontal" railways, and our production facilities in Liaoning province and Tianjin city are strategically located along the Harbin-Dalian Express Railway and the Bohai Economic Rim. Our production facilities are strategically located at the intersection area of limestone resources, end markets and the junctions of transportation lines wherever possible.

As of 31 December 2023, the Group had 20 clinker production lines and 58 cement grinder production lines with a total annual production capacity of about 28.4 million tonnes (2022: 28.4 million tonnes) of clinker and 56.4 million tonnes (2022: 56.4 million tonnes) of cement, respectively. Of such total annual production capacity, Henan region (including Anhui) had a cement production capacity of 37.3 million tonnes and a clinker production capacity of 20.0 million tonnes, and Liaoning region (including Tianjin) had a cement production capacity of 19.1 million tonnes and a clinker production capacity of 8.4 million tonnes. In addition, we directly own 40% equity interest in an associated company which operates two New Dry Process clinker production lines with an annual production capacity of 3.1 million tonnes in Pingdingshan. Based on our attributable interest in such associated companies, the Group has a total of attributable production capacity of about 29.6 million tonnes of clinker and 56.4 million tonnes of cement as of 31 December 2023. The Group has a total of 13 aggregate production lines with a total aggregate production capacity of approximately 30.2 million tonnes (2022: 30.2 million tonnes). The Group prepares internal reports mainly based on two broad geographical locations, namely Central China and Northeastern China. Central China includes Henan province and certain parts of Anhui province. Northeastern China includes Liaoning province and Tianjin City.



Financial Highlights

	For the year ended 31 December	
	2023	2022
	RMB'000	RMB'000
Revenue	**7,888,810**	11,055,439
Gross profit	**1,629,323**	2,713,844
EBITDA	**1,476,495**	2,918,455
(Loss)/profit for the year	**(623,524)**	539,288
Of which: (Loss)/profit attributable to owners of the Company	**(633,875)**	448,690
Basic (loss)/earnings per share (RMB)	**(0.22)**	0.15

	As at 31 December	
	2023	2022
	RMB'000	RMB'000
Total assets	**40,573,494**	32,343,592
Of which: Current assets	**27,326,926**	16,874,102
Total liabilities	**24,787,427**	15,753,498
Of which: Current liabilities	**18,814,217**	13,521,730
Total equity	**15,786,067**	16,590,094
Of which: Equity attributable to owners of the Company	**15,466,436**	16,314,826

Management Discussion and Analysis

BUSINESS REVIEW

In 2023, China's real estate market continued to adjust at the bottom, and the total demand of the cement industry still showed a downward trend. The intensified market competition, the suppressed product prices and high cost of raw materials squeezed the profit margins of enterprises. The Group's results declined as compared to the same period of last year, which was in line with the industry trend.

As of 31 December 2023, the production capacity of clinker of the Group was 28.4 million tonnes, while the production capacity of cement and limestone aggregate were 56.4 million tonnes and 30.2 million tonnes, respectively. There was no change in production capacity as compared to the same period of last year.

In 2023, the sales volume of cement of the Group amounted to approximately 25.2 million tonnes, representing a decrease of approximately 2.5 million tonnes or 9.0% as compared to approximately 27.7 million tonnes in the same period of 2022. The average price was approximately RMB241.5 per tonne, representing a decrease of RMB67.2 per tonne or 21.8% as compared to the same period of 2022.

In 2023, the sales volume of limestone aggregate of the Group amounted to approximately 43.6 million tonnes, representing an increase of approximately 1.7 million tonnes or 4.1% as compared to approximately 41.9 million tonnes in the same period of 2022. The average price was approximately RMB34.5 per tonne, representing a decrease of RMB5.0 per tonne or 12.6% compared to the same period of 2022.

In 2023, the Group sold approximately 1.3 million tonnes of clinker externally, representing a decrease of approximately 1.4 million tonnes as compared to approximately 2.7 million tonnes sold in the same period of 2022. Over the years, the clinker we produced was mainly used to meet the Group's internal need of cement production.

In 2023, the Group recorded a revenue of approximately RMB7,888.8 million, representing a decrease of approximately RMB3,166.6 million or 28.6% as compared to the same period of 2022. The loss attributable to owners of the Company amounted to approximately RMB633.9 million, as compared to the profit attributable to owners of approximately RMB448.7 million in 2022.

BUSINESS ENVIRONMENT

In 2023, the whole country adhered to the general principle of pursuing progress while ensuring stability, fully and faithfully applied the new development philosophy on all fronts, moved faster to create a new pattern of development, and promoted high-quality development. It also deepened reform and opening up across the board, strengthened macro regulation, expanded domestic demand, optimized structure, boosted confidence, and prevented and defused risks. As a result, the national economic recovery and growth were boosted while making steady progress in pursuing high-quality development.

According to the data of the National Bureau of Statistics, the gross domestic product ("GDP") for 2023 was RMB126.0582 trillion, representing an increase of 5.2% over the last year. In terms of regions, in 2023, the GDP of East China was RMB65.2084 trillion, representing an increase of 5.4% over the last year; the GDP of Central China was RMB26.9898 trillion, representing an increase of 4.9%; the GDP of West China was RMB26.9325 trillion, representing an increase of 5.5%; and the GDP of Northeast China was RMB5.9624 trillion, representing an increase of 4.8%. In 2023, the GDP of Beijing-Tianjin-Hebei region was RMB10.4442 trillion, representing an increase of 5.1%; the GDP of the Yangtze River Economic Belt was RMB58.4274 trillion, representing an increase of 5.5%; and the GDP of the Yangtze River Delta was RMB30.5045 trillion, representing an increase of 5.7%.

In 2023, the fixed assets investment (excluding rural household) grew by 3.0% to RMB50.3036 trillion. In terms of regions, growth in investment was seen in East China, Central China and West China, which increased by 4.4%, 0.3% and 0.1%, respectively, while the investment in Northeast China dropped by 1.8%. In terms of sectors, the investment in the primary sector was RMB1.0085 trillion, down 0.1% from the previous year; the investment in the secondary sector was RMB16.2136 trillion, up 9.0%; and the investment in the tertiary sector was RMB33.0815 trillion, up 0.4%. Infrastructure investment grew by 5.9%.

In 2023, according to the data released by the Ministry of Transport of China, from January to November, the fixed assets investment in transportation of RMB3.6 trillion was completed, representing an increase of 3.2% over the same period of the previous year, with the completed investment in road transportation amounting to RMB2.6 trillion, an increase of 1.2% over the same period of the previous year; and the completed investment in water transportation amounting to RMB182.9 billion, an increase of 23.7% over the same period of the previous year.

According to the data released by the National Bureau of Statistics, in 2023, the investment in real estate development throughout the year amounted to RMB11.0913 trillion, representing a decrease of 9.6% over the previous year. Among them, the investment in residential housing was RMB8,382 billion, down 9.3%; the investment in office building was RMB453.1 billion, down 9.4%; and the investment in commercial property was RMB805.5 billion, down 16.9%.

As observed from the above statistics, fixed assets investment, infrastructure investment and transportation investment still maintained a certain degree of growth throughout the year, which serve as important drivers of demand of the cement industry, whereas the decrease in investment in real estate development throughout the year is an important factor affecting the cement demand.

CEMENT INDUSTRY

In 2023, under the influence of a sluggish real estate market and other factors, the domestic demand for cement shrank, while the development trend of infrastructure construction and manufacturing sectors remained stable with moderate growth, thus offsetting the decline to some extent. According to the data from the National Bureau of Statistics, the domestic production volume of cement for 2023 was 2.02 billion tonnes, representing a decrease of 5.0% as compared to the previous year and narrowing by 5.5 percentage points as compared to the same period of the previous year. The cement demand throughout the year can be generally characterized as "insufficient demand, waning expectations, and weakened characteristics of peak and off-peak seasons".

In 2023, the price movement in domestic cement market generally showed a trend of starting high and ending low with volatile adjustment. According to the statistics from Digital Cement of China Cement Association, the average transaction price in the national cement market in 2023 decreased by 15% as compared to the same period of the previous year. The main reasons for this decrease were the sustained low market demand and high inventory level, which resulted in the greater sales pressure on enterprises. The cement prices were adjusted at the bottom with volatility.

In 2023, affected by multiple factors such as downstream real estate downturn, intensified market competition and high upstream raw material and fuel costs, there were disorderly competition and regional losses in certain regions. According to the statistics from Digital Cement of China Cement Association, the profit of the cement industry is expected to be approximately RMB32 billion in 2023, representing a year-on-year decrease of approximately 50%.

On 15 November 2023, the Ministry of Ecology and Environment held the executive meeting of the ministry, which considered and approved in principle the "Action Proposal for the Comprehensive Control of Air Pollution in the Beijing-Tianjin-Hebei and Surrounding Areas and the Fenwei Plain during Autumn and Winter of 2023–2024" (hereinafter referred to as the "Proposal"), the "Opinions on Promoting the Implementation of Ultra-Low Emission in the Cement Industry", the "Opinions on Promoting the Implementation of Ultra-Low Emission in the Coking Industry" (hereinafter referred to as the "Two Opinions"), and eight national ecological and environmental standards.

On 7 December 2023, the State Council issued the notice on issuing the "Action Plan for Continuous Improvement of Air Quality" (hereinafter referred to as the "Plan") with an aim to place continuous efforts in protecting the blue sky, effectively safeguarding the health of the people, and promoting high-quality economic development through continuous improvement of air quality. The Plan includes contents related to the cement industry, such as firmly curbing the reckless development of projects with high energy consumption, high emission and low quality, expediting the elimination of backward production capacity in key industries, promoting the healthy development of green and environmentally friendly industries, advancing comprehensive environmental remediation in mining areas, promoting high-quality transformations in key industries such as steel, cement and coking, as well as achieving ultra-low emission for coal-fired boilers.

In view of the above, the demand in the cement industry declined and prices remained at a low level with fluctuations, which led to a weak market in general in 2023. The government has introduced policies in relation to ultra-low emissions and continuous improvement of air quality. On the one hand, the tightening of constraints on environment and energy consumption of cement enterprises presented an opportunity for competent large-scale cement enterprises to enhance their competitiveness, and was also beneficial in gradually eliminating less efficient capacities through raising the standards; on the other hand, the continued enhancement of environmental control provided certain conditions for staggered production and inventory adjustment during peak and off-peak seasons.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB7,888.8 million in 2023, representing a decrease of RMB3,166.6 million or 28.6% from approximately RMB11,055.4 million in 2022.

The revenue from cement sales was approximately RMB6,087.3 million in 2023, representing a decrease of RMB2,465.4 million or 28.8% as compared to 2022. Our sales volume of cement decreased by 2.5 million tonnes or 9.0% from approximately 27.7 million tonnes in 2022 to approximately 25.2 million tonnes in 2023. The decrease in revenue was mainly due to the decreases in both the sales volume and selling price of cement.

Revenue from sales of limestone aggregate amounted to approximately RMB1,502.8 million, representing a decrease of approximately RMB150.2 million or 9.1% from approximately RMB1,653.0 million in 2022. The sales volume of limestone aggregate amounted to approximately 43.6 million tonnes, representing an increase of approximately 1.7 million tonnes or 4.1% as compared to approximately 41.9 million tonnes in 2022. The decrease in revenue was mainly due to the decrease in the selling price of limestone aggregate.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2023 were primarily used to satisfy the internal demand for cement production. Only approximately 1.3 million tonnes of the Group's clinkers were sold externally. Approximately RMB298.7 million of revenue generated from our clinker sales was recorded in 2023, representing a decrease of RMB551.1 million or 64.9% from approximately RMB849.8 million in 2022. The decrease in revenue was mainly due to the decrease in both the sales volume and selling price of clinkers.

In 2023, the Group's sales revenue from Central China amounted to approximately RMB6,449.4 million, representing a decrease of RMB2,385.6 million or 27.0% as compared to approximately RMB8,835.0 million in 2022. The Group's sales revenue from Northeast China amounted to approximately RMB1,439.5 million, representing a decrease of RMB780.9 million or 35.2% as compared to approximately RMB2,220.4 million in 2022.

In 2023, revenue from sales of cement, aggregate and clinker of the Group accounted for approximately 77.2% (2022: 77.3%), 19.0% (2022: 15.0%) and 3.8% (2022: 7.7%) of the total revenue, respectively.

Cost of Sales

In 2023, the Group continued its efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. The Group's cost of sales was approximately RMB6,259.5 million during the reporting period, representing a decrease of RMB2,082.1 million or 25.0% as compared to 2022. The decrease was primarily due to decrease in purchase prices of coal and raw materials.

The Group's cost of sales mainly consists of costs of raw materials, coal and electricity. In 2023, our costs of raw materials, coal and electricity as a percentage of cost of sales of cement and clinker were approximately 25.8%, 42.1% and 12.7%, respectively. During the period, our costs of raw materials, coal and electricity for one tonne of cement and clinker were approximately RMB52.9, RMB86.4 and RMB26.0, respectively, representing a decrease of RMB17.6, a decrease of RMB23.9 and a decrease of RMB3.6, respectively, as compared to 2022.

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

The Group's gross profit was approximately RMB1,629.3 million in 2023, representing a decrease of RMB1,084.5 million or 40.0% from approximately RMB2,713.8 million in 2022. Our gross profit margin decreased to approximately 20.7% in 2023 from approximately 24.5% in 2022. The decrease in gross profit margin was primarily due to the decrease in the price of cement outpacing the decrease in the cost per tonne of cement in 2023.

In 2023, the Group's segment loss from Central China amounted to approximately RMB347.0 million, as compared to a segment profit of approximately RMB845.7 million in 2022. The Group's segment loss from Northeast China amounted to approximately RMB197.2 million, as compared to a segment profit of approximately RMB89.2 million in 2022. The segment losses from both Central China and Northeast China were primarily due to the decrease in sales volume and gross profit of cement in such regions. According to the price analysis of 2023 by Digital Cement of China Cement Association, the comparison of cement prices in major regions of the country shows that in 2023, the cement price in Northeast region of China recorded the most dramatic year-on-year decrease of more than RMB100 per tonne, representing a decrease of 21.8%, and the outlook remains challenging. The Group's operation in Northeast region of China was also under great pressure, resulting in a loss for 2023.

EBITDA

The Group's EBITDA amounted to RMB1,476.5 million in 2023, representing a decrease of RMB1,442.0 million or 49.4% as compared to approximately RMB2,918.5 million in 2022. The decrease in EBITDA was mainly due to the decrease in gross profit and the increase in share of losses of associates in 2023.

Other Income

The Group's other income was approximately RMB396.6 million in 2023, representing a decrease of RMB137.9 million or 25.8% from approximately RMB534.5 million in 2022. The decrease was primarily due to the decreases in VAT refund and income from sundry operations incidental to the main revenue-generating activities of the Group including sales of scrap and raw materials, etc.

Selling and Distribution Expenses

In 2023, selling and distribution expenses of the Group were approximately RMB239.7 million, remaining stable as compared to approximately RMB240.6 million in 2022.

Administrative Expenses

Administrative expenses of the Group were approximately RMB905.6 million in 2023, representing a decrease of RMB48.7 million or 5.1% from approximately RMB954.3 million in 2022, primarily due to cutting expenditure.

Other Expenses

Other expenses of the Group were approximately RMB70.0 million in 2023, representing a decrease of approximately RMB40.1 million or 36.4% from approximately RMB110.1 million in 2022. The decrease in such expenses was mainly due to lower expenses on seasonal suspension of production.

Finance Costs

Finance costs of the Group were approximately RMB1,152.1 million in 2023, representing an increase of RMB118.7 million or 11.5% from approximately RMB1,033.4 million in 2022, which was primarily attributable to the increase in the interest on borrowings as the scale of borrowings increased.

Foreign Exchange Gains/Losses

In 2023, the Group recorded a foreign exchange gain of RMB17.9 million (same period of 2022: loss of RMB141.6 million), which was due to the fact that part of the Group's loans was denominated in USD, and the depreciation of USD against RMB during the reporting period.

(LOSS)/PROFIT BEFORE TAX

As a result of the foregoing, the Group's loss before tax was approximately RMB629.8 million in 2023, compared to a profit of RMB687.9 million in 2022.

INCOME TAX (CREDIT)/EXPENSE

Income tax credit of the Group was approximately RMB6.3 million in 2023, changed from income tax expense of approximately RMB148.6 million in 2022, which was primarily attributable to the loss before tax recorded.

(LOSS)/PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY

As a result of the foregoing, the Group's loss attributable to owners of the Company was approximately RMB633.9 million in 2023, as compared to the profit attributable to owners of the Company of approximately RMB448.7 million in 2022.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables increased from approximately RMB9,240.2 million in 2022 to approximately RMB19,606.2 million in 2023, mainly due to the increases in bills receivables and prepayments to suppliers. Prepayments to suppliers was mainly for the purchase of coals for trading purpose and new business in 2024.

Amounts Due from an Associate

The Group's amounts due from an associate of approximately RMB595.3 million in 2023 (2022: approximately RMB1,446.0 million) represent 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 decreased from approximately RMB1,043.0 million in 2022 to approximately RMB819.1 million in 2023, primarily due to the decrease in the inventory amount as at the end of 2023.

Cash and Cash Equivalents

Cash and bank balance increased by RMB187.0 million or 18.9% from approximately RMB987.8 million in 2022 to approximately RMB1,174.8 million in 2023, primarily due to the net effect of cash flow from operating activities, investing activities and financing activities.

Borrowings

In 2023, the balance of total borrowings and debentures (including corporate bonds) of the Group increased by approximately RMB8,955.9 million or 93.1% from approximately RMB9,622.7 million in 2022 to approximately RMB18,578.6 million. Borrowings due within one year, corporate bonds and other financial liabilities increased from approximately RMB8,225.7 million in 2022 to approximately RMB13,345.3 million in 2023; borrowings due after one year and other financial liabilities increased from approximately RMB1,397.0 million in 2022 to approximately RMB5,233.3 million in 2023. Borrowings due within one year increased RMB5,119.6 million, mainly due to the Group restored the recognition of discounted outstanding bills into borrowings totaling RMB5,191.8 million as at 31 December 2023.

Net cash (used in)/generated from operating activities

In 2023, the Group's net cash used in operating activities amounted to RMB4,221.4 million, mainly due to the increase in bills payables and prepayments to suppliers, and the discounted outstanding bills payables presented as borrowings in 2023.

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

In 2023, the Group was not involved in any material investments, acquisitions or disposals.

GEARING RATIO

In 2023, the Group's gearing ratio was approximately 61.1%, representing an increase of 12.4 percentage points from approximately 48.7% for the year ended 31 December 2022. The change of gearing ratio was due to the decrease in equity of owners and the increase in borrowings.

In 2023, the Group's current ratio was approximately 1.5, representing an increase of 16.4% as compared to 1.2 in 2022, while the quick ratio was approximately 1.4, representing an increase of 20.3% as compared to 1.2 in 2022.

In 2023, the Group's debt equity ratio was approximately 1.6, representing an increase of 65.4% as compared to approximately 0.9 in 2022.

NET GEARING RATIO

In 2023, the Group's net gearing ratio was approximately 79.3%, representing an increase of 54.4 percentage points from approximately 24.9% in 2022. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

Notes:

1. EBITDA = profit before tax+finance costs+depreciation of property, plant and equipment+amortisation of right-of-use assets+amortisation of mining rights;

2. Gearing ratio = total liabilities/total assets × 100%;

3. Current ratio = current assets/current liabilities;

4. Quick ratio = (current assets−inventory)/current liabilities;

5. Debt equity ratio = total liabilities/shareholders' equity interest, of which, shareholders' equity interest includes minority interest and non-controlling interest.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure of the Group in 2023 was approximately RMB639.4 million (2022: approximately RMB936.6 million) and capital commitment of the Group in 2023 was approximately RMB529.3 million (2022: approximately RMB527.1 million). Both the capital expenditure and capital commitment were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

In 2023, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,030.0 million (2022: approximately RMB3,847.6 million).

FINANCIAL GUARANTEES

In 2023, the Group provided approximately RMB1,902.0 million (as at 31 December 2022: approximately RMB1,632.0 million) of authorized financial guarantees to related parties, among which approximately RMB1,150.0 million (as at 31 December 2022: approximately RMB802.8 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 according to the 2022 Framework Agreement in relation to the Provision of Mutual Guarantees, the details of which are set out in the circular of the Company dated 6 December 2022.

SIGNIFICANT INVESTMENTS

In 2023, 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's shares have suspended trading since 10 April 2024, the details of which are set out in the announcement dated 22 April 2024.

Save as disclosed above, 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 in real time, 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

In 2023, the Group had 6,892 employees (2022: 7,299). In 2023, the employees' cost (including remuneration) was approximately RMB562.3 million (2022: approximately RMB564.7 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

On 5 March 2024, the Premier of the State Council delivered the Government Work Report at the Second Session of the 14th National People's Congress of the PRC. The Report stated that the PRC will adhere to the general principle of pursuing progress while ensuring stability, fully and faithfully apply the new development philosophy on all fronts, move faster to create a new pattern of development, and promote high-quality development. It will deepen reform and opening up across the board, achieve greater self-reliance and strength in science and technology, strengthen macro regulation, expand domestic demand and deepen supply-side structural reform, promote new urbanization and all-around rural revitalization in a coordinated way, and ensure both high-quality development and greater security. Further, the State will boost economic vitality, prevent and defuse risks, and improve public expectations, consolidate and build momentum for economic recovery and growth, and continue to effectively pursue higher-quality economic growth and appropriately increase economic output.

According to the Report, a comprehensive analysis and assessment shows that the PRC's development environment this year will continue to feature strategic opportunities, risks and challenges, with favorable conditions outweighing unfavorable ones. The PRC has distinctive institutional strengths and the advantages of vast market demand, a complete industrial system to ensure supply, and a huge and high-caliber workforce. In addition, its capacity for scientific and technological innovation continues to grow, new industries, new business models, and new growth drivers are expanding at a faster pace, and the internal drive for development is building. The underlying trend of economic recovery and long-term growth remains unchanged and will not change; therefore, the State must be more confident and more assured of itself.

As pointed out in the Report, the State should appropriately enhance the intensity of its proactive fiscal policy and improve its quality and effectiveness. It should take into account both development needs and fiscal sustainability, leverage fiscal policy space, and improve the policy toolkit. It is projected that fiscal revenue will continue to grow this year and general public expenditures in the government budget will reach RMB28.5 trillion, an increase of RMB1.1 trillion over last year. Also, it is proposed to issue special-purpose bonds for local governments of RMB3.9 trillion. In order to systematically address funding shortages facing some major projects for building a great country and advancing national rejuvenation, it is proposed that ultra-long special treasury bonds will be issued starting from this year and over each of the next several years, which will be used to implement major national strategies and build up security capacity in key areas. RMB1 trillion of such bonds will be issued this year.

In January and March 2024, the Leading Group of Key Project Construction of Henan Province issued two lists of key construction projects in Henan Province in 2024, pursuant to which 1,284 key construction projects in the province are under planning, with a total investment of approximately RMB3.9 trillion and an annual planned investment of approximately RMB1,139.6 billion.

As for the industry outlook, according to the analysis of Digital Cement of China Cement Association, from the demand side, the real estate industry will continue to drag down cement demand in 2024, but the effect will be significantly weakened as compared to 2022 and 2023.

From the supply side, through the two measures of "dual control" of intensity and total amount of both energy consumption and emissions, the industry eliminates inefficient production capacity and improves concentration in a faster and more efficient manner so as to adjust the industrial structure, which is a key to maintaining its medium- and long-term healthy development.

From the perspective of price and benefit, cement enterprises nationwide, which have pulled through rounds of price troughs, still aim for improved or stabilized profits in the context of relatively stable market demand, they will actively carry out the staggered production based on local policy in order to reduce losses. It is expected the national cement market prices to maintain a volatile adjustment trend.

When viewed from the investment perspective, firstly, the timing of market consolidation is becoming more mature, which is conducive to improving the industrial concentration in the face of severe market competition in future. Secondly, large enterprises focus more on upstream and downstream industrial investment to increase the incremental contribution of cement enterprises, which is mainly reflected in mining resources, aggregate processing, commercial concrete and products, digital intelligence, photovoltaic storage and new energy, collaborative disposal, carbon reduction and carbon neutrality.

From the aspect of quality standard improvement, the mandatory national standard of GB 175–2023 "General Purpose Portland Cement" will be implemented from 1 June 2024. The standard is conducive to fundamentally eliminating the low-grade, low-quality cement products, reducing the total supply in the market, and advancing the industry towards a virtuous cycle.

Looking forward to 2024, in the light of the current situation, the Group will adhere to the profit-oriented principle, focus on internal management to reduce costs, expand the market to increase efficiency, improve the operation and management level in an all-round way, and continuously improve the ability to prevent risks and the corporate competitiveness. It strives for a better performance in management level, operating results and other aspects in 2024.

In 2024, the Group will endeavor to:

(1) push forward staggered production, optimize ultra-low emissions, and protect the interests of the industry and enterprises by implementing industry policies and adhering to the requirements of "dual-control" in both energy consumption and emissions;

(2) exploit potential, remedy shortcomings, reduce costs, improve operating level, restore and enhance profitability, and improve internal competitiveness through strengthening internal management in various aspects such as mining, raw material procurement, production process, expense control and sales management;

(3) retain existing clients and open up new markets, keep on strengthening the development and maintenance of high-grade cement market with key engineering clients as the main focus while improving the market share of low-grade, civil-use cement;

(4) continue to extend the industry chain, and seek new profit growth points by expanding into new energy businesses such as wind and photovoltaic power and energy storage and pushing forward alternative fuel projects in the right time;

(5) continuously facilitate the "intelligent" and "green" development by building and improving the smart and green mines and factories, thereby promoting the sustainable development of enterprises.

Profiles of Directors and Senior Management

DIRECTORS

As at 31 December 2023, our Board consisted of nine Directors, comprising five executive Directors, one non-executive Director and three independent non-executive Directors. The Board is responsible for and has general powers over the management and conduct of our business. The table below shows certain information in respect of the members of our Board:

Name	Age	Main Position
Li Liufa	66	Non-executive Director
Li Xuanyu	37	Executive Director and Chairman of the Board of Directors
Li Fengluan	61	Executive Director
Ding Jifeng	54	Executive Director
Xu Wuxue	48	Executive Director and Chief Financial Officer
Li Jiangming	46	Executive Director and Joint Company Secretary
Kong Xiangzhong	69	Independent non-executive Director
Wang Ping	53	Independent non-executive Director
Du Xiaotang	50	Independent non-executive Director

Non-executive Director

Mr. Li Liufa (李留法), male, aged 66, is a non-executive Director of the Company and a member of the Nomination Committee. He is the founder of the Group. Mr. Li was appointed as a non-executive Director on 2 July 2011 and was appointed as a member of the Nomination Committee on 15 June 2018. Mr. Li is primarily responsible for our Group's overall strategic planning and the management of our Group's business. Mr. Li has extensive experience in the cement industry. Mr. Li was the representative of Henan province in the Tenth National People's Congress in March 2003, the Eleventh National People's Congress in March 2008, the Twelfth National People's Congress in March 2013 and the Thirteenth National People's Congress in March 2018. Mr. Li was the executive director, executive director-chairman of the board of directors of China Shanshui Cement Group Limited (stock code: 691) ("Shanshui Cement"), a company listed on the Stock Exchange, from 1 December 2015 to 23 May 2018. Mr. Li obtained his executive MBA degree from Peking University (北京大學) in 2006. Mr. Li was named "Model Worker of Henan Province (河南省勞動模範)" in 1999. In January 2005, he was awarded "Henan Province Excellent Entrepreneur (河南省優秀民營企業家)" by the People's Government of Henan Province. Mr. Li is the spouse of Ms. Li Fengluan, an executive Director of the Company. Mr. Li Liufa is the father of Mr. Li Xuanyu, the Chairman of the Board and an executive Director of Company.

Executive Directors

Mr. Li Xuanyu (李玄煜), male, aged 37, was appointed as an executive Director and the chairman of the Board of the Company on 21 October 2022. Mr. Li worked as the deputy head of department, head of department and deputy general manager in the department of operations management of Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司), the deputy general manager of Luoyang Chengxiang Jianshe Investment Group Limited (洛陽城鄉建設投資集團有限公司) (formerly known as Luoyang New District Construction Investment Co., Ltd. (洛陽市新區建設投資有限責任公司)), and joined our Group as deputy general manager in October 2021; and is experienced in administration and corporate management. Mr. Li was also appointed as the legal representative of both Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (a subsidiary of the Company) and Tianrui Group Company Limited (天瑞集團股份有限公司) (a controlling shareholder (as defined in the Listing Rules) which has an indirect shareholding of 69.58% in the Company), and the chairman and legal representative of Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) (a subsidiary of Tianrui Group Company Limited). Mr. Li is also a member of the thirteenth Henan Provincial Committee of the CPPCC. Mr. Li graduated from (i) Durham University in the United Kingdom with a bachelor's degree in Business Finance; (ii) the City University of London in the United Kingdom with a master's degree in Management; and (iii) Columbia University in the United States of America with a master's degree in Public Administration. Mr. Li is the son of Mr. Li Liufa, a non-executive Director, and Ms. Li Fengluan, an executive Director, and the nephew of Mr. Li Jiangming, an executive Director.

Ms. Li Fengluan (李鳳孌), female, aged 61, is an executive Director of the Company. Ms. Li was appointed as an executive Director of the Company on 18 January 2018. Prior to that, she had been the general manager and director of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) and the chairman of Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司). She has over 30 years of extensive experience in finance and accounting, auditing and operation management and holds the qualification of "Accountant" in the PRC. Ms. Li is currently a director and deputy general manager of Tianrui Group Company Limited (天瑞集團股份有限公司) and the chairman of Tianrui Cement Group Company Limited. Ms. Li obtained a Bachelor Degree from Henan University (河南大學) in 1984 and an EMBA from Peking University (北京大學) in 2008. Ms. Li is the spouse of Mr. Li Liufa, a non-executive Director of the Company, the mother of Mr. Li Xuanyu, an executive Director and the Chairman of the Board of the Company, and the elder sister of Mr. Li Jiangming, an executive Director of the Company.

Mr. Ding Jifeng (丁基峰), male, aged 54, is an executive Director of the Company and the general manager of Tianrui Cement Group Company Limited (天瑞水泥集團有限公司). Mr. Ding Jifeng was appointed as an executive Director of the Company on 15 May 2017. He joined our Group in December 2007 and has worked as the deputy general manager of Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), the deputy general manager of Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司), the general manager of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司), the chairman and general manager of Weihui Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) and vice chairman of Tianrui Cement Group Company Limited ever since. He has extensive experience in the cement industry and is primarily responsible for the daily operation and management of Tianrui Cement Group Company Limited. Mr. Ding is the vice president of China Cement Association. Before joining our Group, he had served in Jiaxian Tian Guang Group Company Limited (郟縣天廣集團有限公司) as the deputy general manager and Pingdingshan Xingfeng Group Company Limited (平頂山星峰集團有限責任公司) as the deputy general manager since 1991. He was previously the director and general manager of Shandong Shanshui, a subsidiary of Shanshui Cement. Mr. Ding graduated from Zhengzhou University in 1993, majoring in economic studies. In 2019, he was awarded the title of "Outstanding Entrepreneur of Henan Building Materials Industry for the 70th Anniversary of the Establishment of New China" (新中國成立70周年河南建材工業功勛企業家). In 2021, he was awarded the titles of "Top Talent of Pingdingshan (平頂山市拔尖人才)" and "Henan Province Outstanding Entrepreneur" (河南省優秀企業家). He obtained the qualification of senior economist in enterprise operation and management in December 2023.

Mr. Xu Wuxue (徐武學), male, aged 48, is an executive Director of the Company, the Chief Financial Officer, a member of the remuneration committee and the Financial Controller of Tianrui Cement Group Company Limited. Mr. Xu was appointed as an executive Director and Chief Financial Officer of the Company on 11 May 2013. He has extensive experience in finance and accounting. Mr. Xu joined the Group in 2006 and served as the Deputy Financial Controller and head of the finance department of Tianrui Cement Group Company Limited, and was appointed as the Chief Financial Officer of Tianrui Cement on 9 January 2013. Before joining the Group, Mr. Xu served as a clerk of the finance department of Ruzhou Tongyong Casting Co., Ltd. (汝州市通用鑄造公司) and the deputy general manager and head of the finance department of Xingfeng Group Co., Ltd. (星峰集團有限責任公司) and the director of Tianrui Group Finance Company Limited since 14 July 2015. Mr. Xu graduated from Luoyang Industrial College (洛陽工業高等專科學校), majoring in finance, in 1996.

Mr. Li Jiangming (李江銘), male, aged 46, is an executive Director, a joint company secretary and authorized representative of the Company and a vice general manager of Tianrui Cement Group Company Limited and a chief representative for Hong Kong business. He is mainly responsible for capital market investment and financing business and investor relations. Mr. Li was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as the executive Director of the Company on 11 June 2014. Mr. Li has extensive experience in capital operation and had participated in the whole process of Initial Public Offering of China Tianrui Group Cement Company Limited on the Hong Kong Stock Exchange. After joining our Group, Mr. Li served as the sales manager of Tianrui Group Zhengzhou Cement Company Limited, the deputy head of the capital operation department of Tianrui Cement, the general manager of Zhengzhou Tianrui Cement Company Limited and the vice general manager and a chief representative for Hong Kong business of Tianrui Cement Group Company Limited. Before joining the Group, Mr. Li had been a marketing assistant of Henan Xinfei Electric Appliance Co., Ltd. (河南新飛電器有限公司) and a Requirement Engineer of China E-port Data Center (中國電子口岸數據中心). Mr. Li obtained his master's degree from Wuhan University of Technology (武漢理工大學), majoring in international economics and trade, and obtained the securities practice qualification from the Securities Association of China. Mr. Li Jiangming is the younger brother of Ms. Li Fengluan, an executive Director of the Company.

Independent non-executive Directors

Mr. Kong Xiangzhong (孔祥忠), male, aged 69, is an independent non-executive Director of the Company, the chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee. Mr. Kong was appointed as an independent non-executive Director on 24 December 2012.

Mr. Kong currently serves as the executive chairman of China Cement Association. He is a professor grade senior engineer and an expert entitled to government special allowance from the State Council. He was appointed as an independent non-executive director of Jilin Guanghua Holding Group Co., Ltd. (stock code: 000546), a company listed on Shenzhen Stock Exchange, in 2012. Mr. Kong graduated from Inorganic Materials Department of Shandong Building Materials Industry Institute (山東建築材料工業學院) majoring in engineering in 1982. He has long engaged in cement technology research and development, engineering design and technical management, and held various positions including the director and chief engineer of the cement grinding department of Hefei Cement Research and Design Institute of the State Bureau of Building Materials. Mr. Kong has also participated in and led many breakthrough and scientific study projects at national, provincial and ministry levels. He has served as the chief person in charge of design and engineering of some projects and a responsible person for a project financed by the World Bank. He was awarded the Second Prize and the Third Prize of the National Science and Technology Progress Award. Mr. Kong has been the secretary general, executive vice president and executive president of China Cement Association since 2005. He has participated in the drafting and revision of a number of national policies, plans and standards concerning the development of the cement industry. He has successively served as a project review expert of the NDRC and the Ministry of Environmental Protection, an expert of the first session of the expert academic committee of China International Engineering Consulting Corporation and an award-winning expert of the Science and Technology Progress Award of the Ministry of Science and Technology.

Mr. Wang Ping (王平), male, aged 53, is an independent non-executive Director of the Company, the chairman of the Audit Committee and a member of the Nomination Committee. Mr. Wang was appointed as the independent non-executive Director on 24 December 2012. Mr. Wang has almost 20 years of experience in corporate finance, audit, accounting and taxation.

Mr. Wang Ping currently holds the following positions in other companies: an independent non-executive director of China Hangking Holdings Limited (stock code: 3788), a company listed on the Hong Kong Stock Exchange, since February 2011; an independent non-executive director of Jia Yao Holdings Limited (formerly known as Tourism International Holdings Limited) (stock code: 1626), a company listed on the Hong Kong Stock Exchange, since June 2014; an independent non-executive director of Shenzhen Fuanna Bedding and Furnishing Co. Ltd., a company listed on the Shenzhen Stock Exchange, since October 2021; a non-executive director of Sanergy Group Limited (stock code: 2459), a company listed on the Hong Kong Stock Exchange, since June 2020; and an independent non-executive director of Chongyi Zhangyuan Tungsten Co., Ltd. which is listed on the Shenzhen Stock Exchange since May 2023.

Mr. Wang Ping previously held the following positions in other companies: a senior accountant and subsequently a manager for audit department of Deloitte Touche Tohmatsu CPA Ltd from September 1999 to August 2002; a finance director of China Jishan Group Holdings Limited, a company listed on the Singapore Stock Exchange, from February 2004 to March 2007; a vice-president and a director of EV Capital Pte Ltd., from May 2007 to March 2010; and a finance director and an executive director of China First Capital Group Limited (formerly known as China Vehicle Components Technology Holdings Limited) (stock code: 01269.hk), a company listed on the Hong Kong Stock Exchange, and a senior vice-president of its subsidiary Guang Da (China) Automotive Components Holdings Limited from December 2012 to December 2015.

Mr. Wang graduated from Nanjing University and obtained a Master's Degree in Business Administration from Lingnan (University) College of Sun Yat-Sen University in 2004. He is a member of the Chinese Institute of Certified Public Accountants.

Mr. Du Xiaotang (杜曉堂), male, aged 50, is an independent non-executive Director of the Company, the chairman of the Remuneration Committee and a member of the Audit Committee. Mr. Du was appointed as an independent non-executive Director on 11 June 2014.

Mr. Du has been an executive director of Kinergy Corporation Ltd., a company listed on the Stock Exchange (stock code: 3302), since October 2016 and is also the assistant chief executive officer. Mr. Du was an investment advisor of China Everbright Limited, a company listed on the Hong Kong Stock Exchange (stock code: 165), from January 2021 to December 2023, and was also a director and general manager of Everbright (Qingdao) Investment Co., Ltd., a subsidiary of China Everbright, from September 2013 to December 2020. Mr. Du was an independent non-executive director of Sichuan Xinjinlu Group Co., Ltd. (stock code: 000510), which is listed on the Shenzhen Stock Exchange, from April 2017 to May 2020. Mr. Du has been an independent non-executive director of China First Capital Group Ltd (stock code: 1269), a company listed on the Hong Kong Stock Exchange, since July 2019.

Mr. Du's working experience covers corporate finance, capital market, private equity investment, mergers and acquisitions and legal compliance advisory to listed companies, securities firms and mining companies. Mr. Du was a teacher at Henan University (河南大學) between 1996 and 2002 and was an associate and subsequently a partner with Grandall Law Firm (國浩律師事務所) (a PRC law firm) between 2003 and 2013.

Mr. Du obtained his bachelor degree in education and master degree in law from Henan University (河南大學) in 1996 and 2002 respectively, and doctorate degree in economics from Fudan University (復旦大學) in the PRC in 2005. Mr. Du is qualified as a lawyer in the PRC.

Senior Management

Ms. Li Fengluan (李鳳孌), female, aged 61, is the chairman of Tianrui Cement Group Company Limited. Details of Ms. Li's profile are set out in the section headed "Directors" above.

Mr. Ding Jifeng (丁基峰), male, aged 54, is the general manager of Tianrui Cement Group Company Limited. Details of Mr. Ding's profile are set out in the section headed "Directors" above.

Mr. Jing Xianyu (井獻玉) (formerly known as Jing Xianyu (井現於)), male, aged 59, is a deputy general manager of Tianrui Cement Group Company Limited. He has extensive experience in the cement industry. Mr. Jing joined our Group in 2000 and has worked as the general manager of Weihui Tianrui Group Cement Company Limited (衛輝市天瑞水泥有限公司) and Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司), the chairman of Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) and Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) ever since. He has been the deputy general manager and executive deputy general manager of the Group since February 2008. Mr. Jing obtained his executive MBA degree from Peking University (北京大學) in 2008. Mr. Jing obtained the title of senior economist in 2008 and the title of senior engineer in 2019. Mr. Jing was awarded the title of "National Model Worker in Building Materials Industry" in 2013 and named as "Outstanding Expert in Henan Province" in 2017.

Mr. Xu Wuxue (徐武學), male, aged 48, is the Chief Financial Officer of our Company and the Financial Controller of Tianrui Cement Group Company Limited. Details of Mr. Xu's profile are set out in the section headed "Directors" above.

Mr. Li Jiangming (李江銘), male, aged 46, is a vice general manager of Tianrui Cement Group Company Limited and a chief representative for Hong Kong business. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Mr. Lv Xing (呂行), male, aged 45, is the deputy financial controller of our Company and a chief accountant of Tianrui Cement Group Company Limited. Mr. Lv joined the Group in 2012 and has been the Group's deputy chief accountant and chief accountant. He was appointed as the deputy financial controller of our Company on 1 October 2013, and is primarily responsible for the review and analysis of financial reports, mergers and acquisitions and finance business. Mr. Lv has extensive experience in financing. He served as an assistant auditor, a senior auditor and an audit manager in Deloitte Touche Tohmatsu since 2001 prior to joining the Company. Mr. Lv graduated from Beijing University of Industry and Commerce (北京工商大學) with a bachelor's degree in economics in 2001. Mr. Lv holds the qualification of "Certified Public Accountant" in the PRC.

Mr. Li Tao (李濤), male, aged 49, has served as a deputy general manager and head of quality department of Tianrui Cement Group Company Limited, a subsidiary of the Company, since 2023. He joined the Group in 2002 and successively served as the assistant to commander of the Xingyang Cement Project Department of Tianrui Group, the deputy general manager of Tianrui Group Zhengzhou Cement Company Limited, the general manager of Weihui Tianrui Cement Group Company Limited and the general manager of Tianrui Group Nanzhao Cement Company Limited. Prior to joining the Group, Mr. Li worked in the laboratory of Pingdingshan Cement Plant. Mr. Li graduated from Jinan University with a master's degree in engineering in 2016. He is a certified quality engineer.

Mr. Yu Yongxian (于永現), male, aged 56, has served as a deputy general manager of Tianrui Cement Group Company Limited, a subsidiary of the Company, since 2023, responsible for mine resource management. He joined the Group in 2008 and successively served as the assistant to the general manager and the deputy general manager of Tianrui Group Zhengzhou Cement Company Limited, the general manager of Tianrui Group Nanzhao Cement Company Limited and the general manager of Weihui Tianrui Cement Company Limited. Prior to joining the Group, Mr. Yu worked in Ruzhou Thermal Power Plant. Mr. Yu graduated from the Party School of the Henan Provincial Committee of the Communist Party of China in 2000 and has extensive working experience in the cement industry.

Joint Company Secretaries

Mr. Li Jiangming (李江銘), male, was appointed as the joint company secretary of the Company on 1 March 2013 and was appointed as the authorized representative of the Company on 10 September 2015. Details of Mr. Li's profile are set out in the section headed "Directors" above.

Mr. Chen Kun (陳坤), male, was appointed as the joint company secretary and the authorized representative of our Company on 1 April 2022. Mr. Chen is a practising solicitor in Hong Kong and was the legal advisor to the Company. Mr. Chen is an external service provider whose primary contact person in the Group was Mr. Li Jiangming, an executive director of Company. He received his Bachelor of Laws degree and the Postgraduate Certificate in Laws from the University of Hong Kong.

Report of the Directors

The Board hereby presents this Annual Report together with the audited consolidated financial statements of the Group for the year ended 31 December 2023 (the "Consolidated Financial Statements").

PRINCIPAL ACTIVITIES

The Company was incorporated in the Cayman Islands on 7 February 2011 as an exempted company with limited liability. The Group's operations are substantially conducted through its subsidiaries in the PRC. The Group is principally engaged in the excavation of limestone, production, sale and distribution of clinker and cement. Details of the principal subsidiaries of the Group during the year ended 31 December 2023 are set out in Note 50 to the Consolidated Financial Statements.

Details of the business review of the Company are set out in the section of "Management Discussion and Analysis — Business Environment" of this annual report which forms part of the Report of the Directors.

RESULTS AND APPROPRIATIONS

The results of the Group for the year ended 31 December 2023 are set out in this Annual Report.

The Board did not propose the declaration of final dividend for the year ended 31 December 2023 (2022: Nil).

FINANCIAL SUMMARY

A summary of our results and the assets and liabilities for the past five financial years, as extracted from the Group's audited consolidated financial statements, is set out in the section headed "Financial Summary" at the end of this Annual Report which forms part of the Report of the Directors.

PROPERTY, PLANT AND EQUIPMENT

Details of movements in the Group's property, plant and equipment during the year are set out in Note 17 to the Consolidated Financial Statements of this Annual Report.

BANK LOANS AND OTHER BORROWINGS

Details of bank loans and other borrowings are set out in Notes 32, 33, 34 and 36 to the Consolidated Financial Statements of this Annual Report.

SHARE CAPITAL

During the year ended 31 December 2023, there was no movement in the share capital of the Company.

RESERVES

Details of movements in the reserves of the Group and the Company during the year are set out in the Consolidated Statement of Changes in Equity of this Annual Report.

DISTRIBUTABLE RESERVES OF THE COMPANY

The Company's retained earnings available for distribution to shareholders as at 31 December 2023 amounted to RMB1,683 million (31 December 2022: RMB1,746 million).

PUBLIC FLOAT

Based on information that is publicly available to the Company and to the best knowledge of our Directors, our Company has maintained the prescribed minimum percentage of public float approved by the Stock Exchange and permitted under Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("Listing Rules") as at the date of this Annual Report.

PRE-EMPTIVE RIGHT

There are no provisions for pre-emptive right under the Company's articles of association or applicable laws of the Cayman Islands where the Company was incorporated.

DIRECTORS

The Directors of the Company as at 31 December 2023 were:

Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Li Xuanyu *(Chairman of the Board)*
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

DIRECTORS' PROFILES

Details of the Directors' profiles are set out in the section headed "Profiles of Directors and Senior Management" of this Annual Report.

DIRECTORS' SERVICE CONTRACTS

Each of the executive Directors has entered into a service contract with our Company for a term of three years with effect from their respective date of appointment or re-appointment unless terminated by a not less than three months notice in writing served by either the executive Director or our Company. Each of the non-executive Directors and independent non-executive Directors has signed an appointment letter with the Company for a term of three years (as for non-executive Director) and one year (as for independent non-executive Directors), respectively, with effect from the dates of their respective appointment or re-appointment. The appointment is subject to the provisions of retirement and rotation of directors under the Articles of Association.

None of the Directors who would offer themselves for re-election at the forthcoming Annual General Meeting has an unexpired service contract which is not determinable by the Company or any of its subsidiaries within one year without payment of compensation, other than statutory compensation.

The Company has arranged appropriate insurance cover for the Directors of the Company in respect of legal action against the Directors during the year of 2023.

CONFIRMATION OF INDEPENDENCE FROM THE INDEPENDENT NON EXECUTIVE DIRECTORS

We have received from each of the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, the confirmation of their respective independence pursuant to rule 3.13 of the Listing Rules. We consider that each of our independent non-executive Directors has been independent during their respective appointment period in 2023 and remains independent as of the date of this report.

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

As at 31 December 2023, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix C3 of 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 wholly owned by Carosse which is in turn wholly owned by Tianrui (International) Holding Company Limited ("Tianrui International"). Tianrui International is wholly owned by Tianrui Group Company Limited ("Tianrui Group"), which is in turn 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 therefore deemed to be interested in the shares held by Yu Kuo. For details of corporate reorganization, please refer to the announcement dated 8 December 2023.

(2) On 9 January 2023, Yu Kuo's pledge of 180,000,000 shares as security for loan has been released. On the same date, Yu Kuo pledged 160,000,000 shares of the Company as security for loan financing.

(3) On 11 September 2023, Yu Kuo's pledge of 70,000,000 shares as security for loan has been released. On the same date, Yu Kuo pledged 45,000,000 shares of the Company as security for loan financing.

(4) Save as disclosed in (2) and (3) above, Yu Kuo did not file other disclosure of interest form during the year ended 31 December 2023.

Save as disclosed above, during the year ended 31 December 2023, 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.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the year ended 31 December 2023 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.

PURCHASE, SALE OR REDEMPTION OF THE LISTED SECURITIES

During the year ended 31 December 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

COMPLIANCE WITH NON-COMPETITION UNDERTAKING

Reference is made to the circular ("Circular") of the Company dated 31 October 2014 in relation to the amended deed of non-competition ("Amended Non-competition Deed") which has been approved in the extraordinary general meeting of the Company on 17 November 2014 ("Effective Date"). Unless stated otherwise, capitalized terms used herein shall have the same meaning as those defined in the Circular.

Under the Amended Non-competition Deed, the Controlling Shareholders are allowed to pursue New Business Opportunity after they have fulfilled the notification and best-effort requirements as set out in the Amended Non-competition Deed. Further, the Controlling Shareholders have undertaken to, inter alia, grant the Company the option upon the terms which are not less favourable than the acquisition in the first instance. The independent board committee should periodically review the New Business Opportunity, in order to determine whether to exercise the option and disclose the basis for the decision.

The Board (including the independent non-executive directors) have duly reviewed the competing business owned by Tianrui Group Company (the controlling shareholder) pursuant to the Amended Non-competition Deed:

(1) Pingdingshan Ruiping Shilong

Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) ("Ruiping Shilong") is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company's wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Mr. Li and Ms. Li Fengluan) as to 40% and by an Independent Third Party as to 60%.

Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with the Company's clinker operation in those areas.

As at 31 December 2023, the Directors held the view that the Group is financially and operationally independent from Ruiping Shilong. The Controlling Shareholders currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

(2) Shanshui Cement

As at 31 December 2023, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Mr. Li and 30% by Ms. Li Fengluan, has an interest in a total of 951,462,000 shares of China Shanshui Cement Group Limited ("Shanshui Cement", a company which is listed on the Main Board of the Stock Exchange, stock code: 691) representing approximately 21.85% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As at 31 December 2023, the Directors held the view that the Group is financially and operationally independent from Shanshui Cement. The Company has an option to acquire the shares in Shanshui Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent performance of Shanshui Cement.

COMPETING BUSINESS OF DIRECTORS AND CONTROLLING SHAREHOLDERS

Save as disclosed in the section headed "Compliance with Non-competition Undertaking" above, none of the Directors or Controlling Shareholders was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group during the year ended 31 December 2023.

During the reporting period, the independent non-executive Directors have reviewed the compliance with the Non-competition Deed based on information and confirmation provided by or obtained from the Controlling Shareholders and their respective associates (as defined under the Listing Rules), and were satisfied that the controlling shareholders of the Company, namely, Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group Company Limited, Tianrui (International) Holding Company Limited, Yu Kuo Company Limited and Carosse Limited (collectively, the "Controlling Shareholders") and their respective associates have complied with the provisions of the Amended Deed of Non-competition Undertaking entered into between the Company and the Controlling Shareholders on 16 October 2014 (the "Amended Deed of Non-competition Undertaking").

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS

During the year ended 31 December 2023, save as disclosed in "Compliance with Non-competition Undertaking", "Connected Transactions and Continuing Connected Transactions" or otherwise in this annual report, no transaction, arrangement or contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries was a party, and in which a Director or Controlling Shareholder or his or her connected entity had a material interest, whether directly or indirectly subsisted at the closing or any time during the year.

DIRECTORS' INDEMNITIES

Pursuant to article 164 of the Articles, the Directors, secretary and other officers and every auditor for the time being of the Company and the liquidator or trustees (if any) for the time being acting in relation to any of the affairs of the Company and everyone of them, and everyone of their heirs, executors and administrators, shall be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which they or any of them, any of their heirs, executors or administrators, shall or may incur or sustain by or by reason of any act done, concurred in or omitted in or about the execution of their duty, or supposed duty, in their respective offices or trusts; and none of them shall be answerable for the acts, receipts, neglects or defaults of any one of more of them or for joining in any receipts for the sake of conformity, or for any bankers or other persons with whom any moneys or effects belonging to the Company shall or may be lodged or deposited for safe custody, or for insufficiency or deficiency of any security upon which any moneys of the Company shall be placed out on or invested, or for any other loss, misfortune or damage which may happen in the execution of their respective offices or trusts, or in relation thereto; provided that this indemnity shall not extend to any matter in respect of any fraud or dishonesty which may attach to any of the said persons. Further, each Shareholder agrees to waive any claim or right of action he might have, whether individually or by or in the right of the Company, against any Director on account of any action taken by such Director, or the failure of such Director to take any action in the performance of his duties with or for the Company; provided that such waiver shall not extend to any matter in respect of any fraud or dishonesty which may attach to such Director.

The Company has arranged appropriate directors' liability insurance coverage for the Directors.

DIRECTORS' REMUNERATION

Our Directors' fees are subject to shareholders' approval at general meetings. Other emoluments, bonus and benefits are proposed by our Remuneration Committee to the Board and determined with reference to the prevailing market conditions, Directors' duties and responsibilities and our performance and results of the Group.

The details of the emoluments paid to the five highest paid individuals among Directors and senior management of the Company during the year are set out in Notes 13 and 14 to the Consolidated Financial Statements of this Annual Report.

RETIREMENT SCHEMES

The employees of the Group in the PRC are members of a state-managed employee benefit plans operated by the PRC government such as pension funds, medical insurance, work-related injury insurance, unemployment insurance, maternity insurance and housing funds. The Group is required to contribute a specified percentage of its payroll costs to the employee benefit plans to fund the benefits.

No forfeited contributions may be used to reduce the existing level of contributions.

The Group's contributions to the employee benefit plans for the year ended 31 December 2023 were RMB49.3 million. Particulars of these plans are set out in Note 44 to the Consolidated Financial Statements of this Annual Report.

MANAGEMENT CONTRACTS

Other than employment contracts with employees of the Company, no contracts concerning the management and administration of the whole or any substantial part of the business of the Company were existed or entered into with any individual, company or body corporate during the year.

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

As at 31 December 2023, 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
Carosse	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	Person having a security interest in 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
Best Ego Limited	Person having a security interest in 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.	Person having a security interest in the shares/ Long position	205,000,000	6.98

(1) Yu Kuo is wholly owned by Carosse which is in turn 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, and Carosse are respectively deemed to be interested in the shares held by Yu Kuo.

(2) On 9 January 2023, Yu Kuo's pledge of 180,000,000 shares as security for loan has been released. On the same date, Yu Kuo pledged 160,000,000 shares of the Company as security for loan financing.

(3) On 11 September 2023, Yu Kuo's pledge of 70,000,000 shares as security for loan has been released. On the same date, Yu Kuo pledged 45,000,000 shares of the Company as security for loan financing.

(4) Save as disclosed in (2) and (3) above, Yu Kuo did not file other disclosure of interest forms during the year ended 31 December 2023.

Saved as disclosed above, as at 31 December 2023, no other person has 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.

SHARE BASED INCENTIVE SCHEMES

Share Option Scheme

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The Share Option Scheme shall continue in force for the period commencing from the Adoption Date and expiring at the close of business on the tenth anniversary (i.e. 12 December 2021) of the Adoption Date (the "Scheme Period"). During the Scheme Period, no option has been granted, vested or cancelled, or has lapsed under the Share Option Scheme.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

(1) As disclosed in the announcement dated 12 September 2023, the Borrower (as defined below) has settled the loan of RMB80,000,000 to the Lender A (as defined below). As disclosed in the announcement dated 18 September 2023, Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (the "Borrower", an indirectly wholly-owned subsidiary of the Company) has drawn a loan facility (the "Loan A") in an aggregate amount of RMB80,000,000 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 45,000,000 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. The Pledged Shares A represent approximately 1.53% of the total issued shares of the Company. Pursuant to the terms of the Loan A, Tianrui Group should ultimately own not less than 50% shareholding of the Borrower. As at 31 December 2023, 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 18 September 2023.

(2) The Company has an outstanding loan facility (the "Loan B") in a principal amount of US$29,570,000 provided by an independent third-party lender (the "Lender B") to the Company for term up to August 2024 subject to mutual agreement 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. 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 Liufa and Ms. Li Fengluan 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 B may demand for immediate repayment of the Loan B.

(3) As disclosed in the announcement dated 18 January 2023, the Company has made drawdown under a loan facility of RMB173,000,000 ("Loan C") provided by an independent third-party lender ("Lender C") to the Company for a term of 12 months which is secured by a pledge of 160,000,000 ordinary shares of the Company held by Yu Kuo. The pledged shares represent approximately 5.45% of the total issued shares of the Company. Pursuant to the terms of the Loan C, Tianrui Group is required to own, whether directly or indirectly, more than 50% of the entire issued share capital of the Company, upon default of which the Lender C may demand for immediate repayment of the Loan C.

As at 31 December 2023, the above specific performance obligations by the controlling shareholders of the Company continue to exist.

As referenced in the announcement dated 19 January 2024, the Company has been granted by the Lender ("Lender D") under another loan facility (the "Loan D") which is up to a maximum amount of RMB166,500,000 for a term of 12 months which is secured by a pledge of 97,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares") by Yu Kuo Company Limited (煜闊有限公司) ("Yu Kuo"), the controlling shareholder of the Company, in favour of the Lender D as security for the Loan D. The Pledged Shares represent approximately 3.3% of the total issued shares of the Company. Pursuant to the terms of the Loan D, Tianrui Group (as guarantor for the Loan D) is required to own, whether directly or indirectly, more than 50% of the entire issued share capital of the Company, upon default of which the Lender D may demand for immediate repayment of the Loan D.

CONNECTED TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS

During the year ended 31 December 2023, save as disclosed below, we have not entered into any connected transaction or continuing connected transaction which should be disclosed pursuant to the requirements under Chapter 14A of the Listing Rules.

CONTINUING CONNECTED TRANSACTIONS

(a) Purchase of Clinker

On 16 October 2019, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly-owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong") entered into the clinker supply framework agreement (the "2019 Clinker Purchase Framework Agreement") pursuant to which Tianrui Cement agreed to purchase the clinker from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties.

In light of the expiry of the 2019 Clinker Purchase Framework Agreement on 31 December 2021, the parties entered into the clinker purchase framework agreement ("2021 Clinker Purchase Framework Agreement", together with 2019 Clinker Purchase Framework Agreement as "Clinker Purchase Framework Agreement") on 12 November 2021. This was duly passed as an ordinary resolution at the general meeting held on 20 December 2021. For details, please refer to the circular of the Company dated 3 December 2021.

Ruiping Shilong is held as to 40% equity interest by Tianrui Cement and 60% by Ruiping Power. Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Mr. Li and Ms. Li Fengluan) as to 40% and by an independent third party as to 60%. Mr. Li, the non-executive Director, controlling shareholder and ultimate controlling shareholder of the Company, and Ms. Li Fengluan, an executive Director of the Company control more than 30% of the voting power at the general meeting of Ruiping Shilong. Ruiping Shilong is therefore an associate of Mr. Li and Ms. Li Fengluan and a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the Clinker Purchase Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The background and purpose for entering into the Clinker Purchase Framework Agreement were: with the continuous development of the Group, it is expected that the demand for clinker, a major intermediate product of cement, would increase. In light of its proximity to the Group, Ruiping Shilong has been providing a stable supply of clinker with low transportation costs over the past years. As such, the Group intended to satisfy its clinker demand by entering into the Clinker Purchase Framework Agreement with Ruiping Shilong.

Pursuant to the Clinker Purchase Framework Agreement, the annual caps of the transactions contemplated thereunder were RMB1,200,000,000, RMB1,200,000,000 and RMB1,200,000,000 for each of the years ended 31 December 2022, 2023 and 2024 respectively.

For the year ended 31 December 2023, the total amounts of transactions of Tianrui Cement's purchase of clinker from Ruiping Shilong was RMB136.0 million.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

(b) On 12 November 2021, Tianrui Cement entered into the 2021 Limestone Supply Framework Agreement with Ruiping Shilong for a term from 1 January 2022 to 31 December 2024 in relation to the sale of limestone from Tianrui Cement to Ruiping Shilong. This was duly passed as an ordinary resolution at the general meeting held on 20 December 2021. For details, please refer to the circular of the Company dated 3 December 2021.

The prices payable by Ruiping Shilong for the limestone will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan province, with terms no more favorable than those available to independent third parties.

For the aforementioned reasons, the transactions contemplated under the 2021 Limestone Supply Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

The background and purpose for entering into the 2021 Limestone Supply Framework Agreement were: Ruiping Shilong has expanded its clinker production and hence has an increased demand for limestone. With its location being within proximity of the Group's limestone production facilities, it is economically beneficial for the Group to sell the limestone which is not particularly suitable (in terms of quality) for the Group's self-use to Ruiping Shilong.

Pursuant to the 2021 Limestone Supply Framework Agreement, the annual caps of the transactions contemplated thereunder were RMB300,000,000, RMB300,000,000 and RMB300,000,000 for each of the three years ending 31 December 2022, 2023 and 2024 respectively.

For the year ended 31 December 2023, the total amounts of transactions of Tianrui Cement's sale of limestone to Ruiping Shilong was nil.

(c) Mutual guarantees

On 4 November 2022, the Company and Tianrui Group Company Limited ("Tianrui Group") entered into a framework agreement in relation to the provision of mutual guarantees (the "2022 Framework Agreement"), with a term from 1 January 2023 to 31 December 2025 ("Term"). Pursuant to the 2022 Framework Agreement, the maximum daily balance of the Company Guarantee are RMB3,000 million for each of the three years ending 31 December 2025, and the maximum balance of Tianrui Group Guarantee are RMB7,000 million for each of the three years ending 31 December 2025 respectively.

Tianrui Group is owned as to 70% by Mr. Li and as to 30% by Ms. Li Fengluan and is therefore an associate of a connected person of the Company under Chapter 14A of the Listing Rules. The transactions contemplated under the 2022 Framework Agreement constituted continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 6 December 2022 (the "Circular of Mutual Guarantees"), according to the 2022 Framework Agreement: (a) Tianrui Group has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by the Company or its subsidiaries (the "Tianrui Group Guarantee"); (b) the Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) (the "Company Guarantee"). On the same date as the 2022 Framework Agreement, Mr. Li, entered into the Counter Guarantee Agreement with the Company, pursuant to which Mr. Li has agreed to indemnify the Company or its subsidiaries by means of the Counter Guarantee for any amount that it would have to pay under the 2022 Framework Agreement (the "Counter Guarantee"). For details on Tianrui Group Guarantee, Company Guarantee and Counter Guarantee, please refer to the paragraph headed "Major Terms of the 2022 Framework Agreement and the Transactions Contemplated Thereunder" in the Circular of Mutual Guarantees.

The background and purpose for entering into the 2022 Framework Agreement was that: (a) it is common commercial practice in China that the lenders require the provision of guarantees as security for granting loans to borrowers. In particular, for a privately-owned company like Tianrui Cement, the PRC banks often require the provision of the third-party guarantee for granting a loan; (b) the historical utilization of the Tianrui Group Guarantee is greater than that of the Tianrui Cement Guarantee, and there has not been default of any loans guaranteed by either the Tianrui Group Guarantee or the Tianrui Cement Guarantee; (c) the Group's business is capital-intensive and financing is necessary; (d) with respect to the Tianrui Cement Guarantee, the risks involved in assisting the financing of Tianrui Group are manageable, which is reflected by the provision of indemnity by both Tianrui Group and Mr. Li for any amount payable by Tianrui Cement. For details on the purposes of and reasons for the above transactions, please refer to the paragraph headed "Reasons for and Benefits of the 2022 Framework Agreement" in the Circular of Mutual Guarantees.

For the year ended 31 December 2023, the highest daily balance of guarantees provided by the Company (including its subsidiaries) to Tianrui Group (including its subsidiaries) was RMB2.0 billion, while the highest daily balance of guarantees provided by Tianrui Group (including its subsidiaries) to the Company (including its subsidiaries) was RMB8.2 billion. While the daily maximum balance of RMB8.2 billion exceeds the maximum cap of Tianrui Group Guarantee (i.e. RMB7 billion), there is no breach of Listing Rules because the Tianrui Group Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Tianrui Group Guarantee is exempted from reporting, announcement and Independent Shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

2022 Framework Agreement

On 4 November 2022, the Company and Tianrui Group Company Limited ("Tianrui Group") entered into a framework agreement in relation to the provision of mutual guarantees (the "2022 Framework Agreement"), with a term from 1 January 2023 to 31 December 2025 (the "Term"). Pursuant to the 2022 Framework Agreement, the maximum daily balance of the Company Guarantee are RMB3,000 million for each of the three years ending 31 December 2025, and the maximum daily balance of Tianrui Group Guarantee are RMB7,000 million for each of the three years ending 31 December 2025 respectively. For details, please refer to the circular dated 6 December 2022.

(d) Deposit and financial services agreements

On 4 November 2022, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly-owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance") entered into (i) the deposit services agreement (the "Deposit Services Agreement"), pursuant to which Tianrui Finance agreed to provide Tianrui Cement and its subsidiaries (the "Cement Group") with the deposit services (inter alia, demand deposit, saving deposit, notice deposit and agreed deposit services) (the "Deposit Services") for a term commencing from the date of approval of the Deposit Services Agreement by the independent Shareholders (i.e. 1 January 2023) to 31 December 2025; and (ii) the financial services agreement (the "Financial Services Agreement"), pursuant to which Tianrui Finance agreed to provide the Cement Group with the credit services and settlement services (the "Financial Services") for a term commencing from 1 January 2023 to 31 December 2025.

Tianrui Finance is a subsidiary of Tianrui Group. Tianrui Finance is held as to 74.5% equity interest by Tianrui Group and its subsidiaries. Tianrui Group is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Carosse Limited, which owns the entire issued share capital of Yu Kuo, a controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company under Chapter 14A of the Listing Rules and the transactions contemplated under the Deposit Services Agreement and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the circular of the Company dated 6 December 2022 (the "Circular"), the principal terms of the Deposit Services were: the interest rate(s) offered by Tianrui Finance to the Cement Group for the Deposit Services shall not be lower than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ended 31 December 2023, 2024 and 2025 shall not exceed RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively. However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds provided by Tianrui Finance and its affiliates to the Group (including but not limited to any loan provided by Tianrui Finance and its affiliates to the Cement Group). In the event of any default by Tianrui Finance as a result of which the Cement Group not being able to recover the amount deposited with Tianrui Finance, the Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance.

The principal terms of the Financial Services provided by Tianrui Finance to member(s) of the Cement Group are set out below:

1. *The Credit Services*

Subject to the compliance of other applicable laws and regulations, the internal compliance and approval of Tianrui Finance and the entering of definitive agreement, Tianrui Finance would provide comprehensive credit facilities services to the Cement Group in aggregate amount not exceeding RMB3 billion, RMB3 billion and RMB3 billion for the years ended 31 December 2023, 2024 and 2025, respectively.

The interest rate for the Credit Services to be provided by Tianrui Finance to the Cement Group shall be determined on normal commercial terms by reference to the interest rate(s) announced by the PBOC and the market conditions, but shall not exceed the highest interest rate offered by the PBOC for the same type of loan, and shall not exceed the interest rate offered by major financial institutions for the same type of loan.

2. *The Settlement Services*

Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for the member(s) of the Cement Group free of charge. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and monitors and controls the risk of assets and liabilities.

3. Other Services

If Tianrui Finance provides any other financial services as approved by China Banking Regulatory Commission to the Cement Group, Tianrui Finance and Tianrui Cement will enter into a separate agreement, in accordance with the Financial Services Agreement and the requirements of the Listing Rules.

The fees so charged shall not be higher than the rates for the same type of services of the same period offered by any financial institutions for the same type of services in PRC.

Proposed Caps

The Company proposed the annual caps for the Credit Services for the years ended 31 December 2023, 2024 and 2025 are RMB3 billion, RMB3 billion and RMB3 billion, respectively.

The background and purpose for entering into the Deposit Services Agreement and the Financial Services Agreement are: Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services in accordance with the PRC law and regulations even though it is not a bank. Given the connection between the Company and Tianrui Finance, the Company is familiar with the operation of Tianrui Finance and believes that it is a reliable and suitable financial institution to make deposit with. The interest of Tianrui Cement has been protected under various terms of the Deposit Agreement. Pursuant to the Financial Services Agreement, Tianrui Finance shall provide credit to Tianrui Cement from time to time. According to the Deposit Services Agreement, the amount deposited by Tianrui Cement with Tianrui Finance shall at all time be less than the total loan outstanding balance provided by Tianrui Finance to Tianrui Cement. Furthermore, in case of any default by Tianrui Finance in returning any deposit amount, Tianrui Cement is entitled to offset the amounts owing by Tianrui Finance to Tianrui Cement against the amounts due from Tianrui Cement to Tianrui Finance. With proper internal control measures, Tianrui Cement can control the amount to be deposited with Tianrui Finance to a level that is lower than the total outstanding balance owing to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Tianrui Cement in case of default by Tianrui Finance and the interest of Tianrui Cement is safeguarded.

For the year ended 31 December 2023, the highest daily deposit amount Tianrui Cement placed with Tianrui Finance was RMB1,073.7 million, while the highest daily balance of unsecured loans provided by Tianrui Finance to Tianrui Cement in respect of the Credit Services was RMB1,220.0 million.

The Board hereby confirms that the auditors' letter relating to the above continuing connected transactions has been submitted to the Stock Exchange pursuant to Rules 14A.56 and 14A.57 of the Listing Rules.

2022 Deposit Services Agreement, 2022 Financial Services Agreement

On 4 November 2022, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly-owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance") entered into (i) the deposit services agreement (the "Deposit Services Agreement"), pursuant to which Tianrui Finance agreed to provide Tianrui Cement and its subsidiaries (the "Cement Group") with the deposit services (inter alia, demand deposit, saving deposit, notice deposit and agreed deposit services) (the "Deposit Services") for a term commencing from 1 January 2023 to 31 December 2025; and (ii) the financial services agreement (the "Financial Services Agreement"), pursuant to which Tianrui Finance agreed to provide the Cement Group with the credit services and settlement services (the "Financial Services") for a term commencing from 1 January 2023 to 31 December 2025. For details, please refer to the circular dated 6 December 2022.

Annual Review by Independent Non-executive Directors and Auditor

Pursuant to the Listing Rules, the above connected transactions and continuing connected transactions have been reviewed by the independent non-executive Directors of our Company, who confirmed that these continuing connected transactions and the foregoing connected transactions were entered into:

(1) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favorable to us than terms available to or from independent third parties; or

(2) not in the normal and ordinary course of business of the Group, but on commercial terms more favorable to the Group; and

(3) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the shareholders of our Company as a whole.

Pursuant to Rule 14A.56 of the Listing Rules, the board of directors engaged the auditor of the Company to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its qualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed by the Group above in accordance with Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided by the Company to the Stock Exchange.

The auditors confirmed that, as of 31 December 2023, regarding the foregoing continuing connected transactions:

a. nothing has come to their attention that causes them to believe that the Disclosed Continuing Connected Transactions have not been approved by the Company's board of directors.

b. nothing has come to their attention that causes them to believe that the transactions were not entered into, in all material respects, in accordance with the relevant agreements governing such transactions.

c. with respect to the aggregate amount of each of the continuing connected transactions set out in the attached list of continuing connected transactions, except for the Tianrui Group Guarantee as described in the "Basis For Qualified Conclusion" section in auditor's letter which exceeded the relevant annual cap, nothing has come to their attention that causes them to believe that the Disclosed Continuing Connected Transactions have exceeded the annual cap as set by the Company.

Related parties transactions

During the year ended 31 December 2023, the Group also engaged in certain related party transactions as disclosed in Note 45 to the Consolidated Financial Statements of this Annual Report. The related party transactions comprise (1) the Group's purchase of clinker from Ruiping Shilong which have been approved by independent shareholders of the Company as set out in the section headed "Connected Transactions and Continuing Connected Transactions — (a) Purchase of Clinker" above; (2) the Group's purchase of raw materials and consumable, and purchase of services from Tianrui Group or its subsidiaries or associated company; (3) the Group's rental of office from Tianrui Group Company at a consideration of RMB1,800,000 which is a connected transaction fully exempt under Rule 14A.76 of the Listing Rules; (4) provision of guarantees to Tianrui Group Company (and its subsidiaries) which have been approved by the independent shareholders of the Company as set out in the section headed "Connected Transactions and Continuing Connected Transactions — (c) Mutual guarantees" above; (5) deposit in Tianrui Finance as set out in the section headed "Connected Transactions and Continuing Connected Transactions — (d) Deposit and financial services agreements" above, and have been approved by the independent Shareholders of the Company; and (6) for details of the relevant transactions of Henan Shengye, please refer to the section headed "Transactions between Henan Shengye and Tianrui Group" of the Corporate Governance Report.

MAJOR CUSTOMERS, SUPPLIERS AND EMPLOYEES

For the current financial year ended 31 December 2023, total sales to the Group's five largest customers accounted for less than 30% of the Group's total sales. Total purchase from the Group's five largest suppliers accounted for less than 30% of the Group's total purchase.

Our major customers are real estate developers and concrete manufacturers etc., and major suppliers are raw material suppliers, equipment suppliers and other business partners. It is important to maintain a good relationship with customers and suppliers. Accordingly, our Group has taken measures to strengthen communication with them in order to supply highly-quality productions and services and maintain good relationships in respect of the supply chain and business challenges respectively.

"Employees" are set out in the Management Discussion and Analysis section which forms part of the Report of the Directors.

COMPLIANCE WITH THE CODE ON CORPORATE GOVERNANCE

During the year ended 31 December 2023, save as disclosed in the Corporate Governance Report of this Annual Report, all the code provisions set out in the Code contained in Appendix C1 to the Listing Rules were met by the Company.

MODEL CODE FOR SECURITIES TRANSACTIONS

Details of the Company's compliance with the Model Code for Securities Transactions are set out in the Corporate Governance Report of this Annual Report.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Company regards the fulfilment of environmental and social responsibilities ("ESG") as one of the important strategies for the corporate development.

The Group has established internationally recognized policies and management framework to achieve control of environmental responsibility-driven and quality-driven operations. The Group has been committed to a sustainable business that balances ESG issues through comprehensive frameworks and regular reviews of key performance indicators.

The Group has been ranked among the top 20 cement production capacity companies globally. It has repeatedly been ranked among the top 10 Chinese listed cement companies in terms of overall capabilities, and has won the honor of "Craftsman of the Century" being a quality materials supplier and a distinctive brand enterprise in the Chinese construction industry. It has also been nominated as the leading company in the manufacturing industry by the officials in Henan Province.

The Board has implemented measures such as reducing emissions, using resources prudently, enhancing occupational safety and health, as well as focusing on development and training. We are convinced that the measures can help the Group achieve the established mission and goals. The Board believes that emphasizing ESG management has lots of benefits, including increasing the group's income and enhancing the corporate brand image, reducing operating costs and improving corporate competitiveness. It can also enhance the Group's ability to comply with relevant laws & regulations, and promote community development, in order to give back to society.

During the period under review, the Group complied with relevant laws and regulations, including: the Law of the People's Republic of China on the Prevention and Control of Environmental Pollution of Solid Waste; and the Standard for Pollution on the Storage and Disposal Site for General Industrial Solid Wastes.

The Group considers that the involvement of the stakeholders and their opinions on the development of the Group are crucial to the development of the Group. During the period under review, the Board considered that Group has maintained good relationship with its key stakeholders, including but not limited to its employees, customers and suppliers and others that have a significant impact on the Company and on which the Company's success depends.

COMPLIANCE WITH LAWS AND REGULATIONS

As at 31 December 2023 and up to the date of this report, the Board was unaware of any non-compliance with the relevant laws and regulations that have a significant impact on the Company.

PRINCIPAL RISKS AND UNCERTAINTIES

The Board is of the view that the principal risk and uncertainty is the general global economy slowdown which might lead to declining demand for cement and clinker in the PRC market.

FUTURE PLAN

In light of the general global economy slowdown which might lead to declining demand for cement and clinker in the PRC market, the Company will take a cautious approach with respect to production expansion and will put in more efforts to improve operating efficiency.

AUDITORS

The Consolidated Financial Statements have been audited by Deloitte Touche Tohmatsu ("Deloitte"), who will retire and, being eligible, may offer themselves for re-appointment at the forthcoming general meeting.

A resolution to re-appoint Deloitte as our external auditor may be submitted for shareholders' approval at our forthcoming annual general meeting. The Company has been engaging Deloitte as its auditor for the past 13 years.

For and on behalf of the Board of Directors

Li Xuanyu
Chairman

CORPORATE GOVERNANCE PRACTICES

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 so as to be accountable to all shareholders.

For the period from 1 January 2023 to 31 December 2023, the Company has adopted the code provisions set out in the Corporate Governance Code (the "Corporate Government Code") set out in the Appendix C1 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 2023.

According to code provision C.2.1 of Part 2 of the Corporate Governance Code, the roles of the chairman and chief executive 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 five 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 only one of the five members of the Executive Committee, thus ensuring that the authority is not vested in the same person.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as set out in Appendix C3 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 2023.

BOARD OF DIRECTORS

Responsibilities of the Board

The Board is responsible for achieving the corporate goals, formulating the development strategy, regularly reviewing the organizational structure, and monitoring the business activities and management performance so as to protect and enhance the interests of the Company and its shareholders. Matters relating to the day-to-day operation of the Group are delegated to management. For the period from 1 January 2023 to 31 December 2023, the Board (among other things) considered and approved the annual budget, results of operations and the latest performance on the reconciliation between them, together with management work report and the annual results for the year ended 31 December 2023, monitored the operation of our Group's key business, and assessed our Group's internal control and financial matters.

Composition of the Board

As at 31 December 2023, the Board comprises nine Directors, including five executive Directors: Mr. Li Xuanyu, Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; one non-executive Director: Mr. Li Liufa; and three independent non-executive Directors, being Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang. Mr. Li Xuanyu is the Chairman of the Board of the Company. Ms. Li Fengluan is the spouse of Mr. Li Liufa and the elder sister of Mr. Li Jiangming. Mr. Li Xuanyu is the son of Mr. Li Liufa and Ms. Li Fengluan and nephew to Mr. Li Jiangming. The profiles of the Directors are set out in the section headed "Profiles of Directors and Senior Management" in this Annual Report.

Non-executive Director

As at 31 December 2023, our Company has one non-executive Director, being Mr. Li Liufa, with a term of three years commencing from 31 December 2023.

Independent Non-executive Directors

As at 31 December 2023, the Company has three independent non-executive Directors: Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, with a term for a year with effect from 24 December 2023 for Mr. Kong Xiangzhong and Mr. Wang Ping and with effect from 11 June 2023 for Mr. Du Xiaotang.

Appointment, re-election and removal of Directors

Our Company has established a nomination committee (the "Nomination Committee") with written terms of reference. The Nomination Committee is responsible for formulating the procedures for the appointment and removal of Directors. In selecting proposed Directors, the Nomination Committee considers the integrity, industry achievements and experience, expertise, educational background of candidates and whether they have sufficient time to perform their duties as Directors.

In accordance with Rule B.2 of Part 2 of Appendix C1 of the Hong Kong Listing Rules and article 84 and clause 3 of article 83 of the Articles of Association of our Company, at each annual general meeting one-third of Directors for the time being (or, if their number is not a multiple of three, the number nearest to but not less than one-third) shall retire from office by rotation, provided that every Director shall be subject to retirement at an annual general meeting at least once every three years. The Board may from time to time and at any time appoint any person to be a Director, either to fill a casual vacancy on the Board, or as an addition to the existing Board. Any Director appointed by the Board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment, and be subject to re-election at such meetings. Any Director appointed by the Board as an addition to the existing Board shall hold office until the next annual general meeting of the Company and shall be eligible for re-election.

In accordance with article 86 of the Articles of Association of our Company, the office of a Director shall be vacated if the Director: (1) resigns his office by notice in writing delivered to our Company at the Office or tendered at a meeting of the Board; (2) becomes of unsound mind or dies; (3) without special leave or absence from the Board, is absent from meetings of the Board for six consecutive months, and his alternate Director, if any, shall not during such period have attended in his stead and the Board resolves that his office be vacated; (4) becomes bankrupt or has a receiving order made against him or suspended payment or compounds with his creditors; (5) is prohibited by law from being a Director; or (6) ceases to be a Director by virtue of the Statutes or is removed from office pursuant to these Articles.

BOARD MEETINGS

The Board conducts meetings on a regular or irregular basis to discuss the overall strategy and operational and financial performance of our Group. During the year ended 31 December 2023, the Board held five meetings (including the Board meetings held by way of circulation of a written resolution) as required by the operation and development of the Group. The attendance record of each Director is as follows:

List of Directors	Attendance/Number of meetings held
Executive Directors	
Mr. Li Xuanyu	5/5
Ms. Li Fengluan	5/5
Mr. Ding Jifeng	5/5
Mr. Xu Wuxue	5/5
Mr. Li Jiangming	5/5
Non-executive Director	
Mr. Li Liufa	5/5
Independent Non-executive Directors	
Mr. Kong Xiangzhong	5/5
Mr. Wang Ping	5/5
Mr. Du Xiaotang	5/5

Our Company gives Directors notices of Board meetings of a reasonable period, and the procedures for the Board meetings are in compliance with the Articles of Association of our Company and relevant rules and regulations. Meeting agendas and relevant documents are circulated to all Directors (for some Board meetings in respect of which notices and information were not provided to the Board in a timely basis, attention has been brought to each of Directors and waiver from compliance has been obtained) in a timely manner. In order to ensure the compliance with the procedures for the Board meetings and all applicable rules and regulations, all Directors have full and timely access to all relevant information and may request the opinions and services of our joint company secretaries. Upon making a request to the Board, all Directors may seek independent professional opinions to discharge their duties at the expense of our Company.

The joint company secretaries shall keep minutes of Board meetings which shall be available for inspection by the Directors and the auditors of our Company.

Our Company held a meeting attended by the chairman of the Board and the independent non-executive Directors during the period in compliance with requirements under Rule C.2.7 of Appendix C1 of the Hong Kong Listing Rules to discuss and consider duties and roles of the Board and its relevant members as well as their performance during the reporting period.

GENERAL MEETING

Our Company held one annual general meeting for the year from 1 January 2023 to 31 December 2023. The attendance record of Directors is as follows:

List of Directors	Attendance/Number of meetings held
Executive Directors	
Mr. Li Xuanyu	1/1
Ms. Li Fengluan	1/1
Mr. Ding Jifeng	1/1
Mr. Xu Wuxue	1/1
Mr. Li Jiangming	1/1
Non-executive Director	
Mr. Li Liufa	1/1
Independent Non-executive Directors	
Mr. Kong Xiangzhong	1/1
Mr. Wang Ping	1/1
Mr. Du Xiaotang	1/1

CORPORATE GOVERNANCE FUNCTIONS

The corporate governance functions performed by the Board include the following:

(a) Formulate and review the corporate governance policy and practice of the Company;

(b) Review and monitor the training and continuous professional development of Directors and the senior management;

(c) Review and monitor the policy and practice of the Company in compliance with laws and regulatory requirements;

(d) Review the compliance with the Code of Corporate Governance by the Company and the disclosure in the Corporate Governance Report.

BOARD DIVERSITY POLICY

The Board adopt the following board diversity policy (the "Board Diversity Policy"):

In order to achieve a sustainable and balanced development, the Company has realized it is very important to enhance diversity of the Board as an essential element in supporting the attainment of its strategic objectives and its sustainable development. All the appointments made by the Board will be based on meritocracy, with the benefit to the Board made by the board diversity policy. Selection of Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on the specific demand for talents of the various stages in our business development and strategic planning.

The composition of the Board (including gender, age, educational background, and professional experience) has been disclosed in the "Profiles of Directors and Senior Management". It is currently the Board's policy that either gender shall comprise at least 10% of the composition of each of the Board, the senior management (including executive directors), and the workforce. Since the Company is engaged in the cement industry, it is a general market norm that male employees will be of far higher portion than female employees. The Company strives to promote diversity and inclusion in the teams, in strict compliance with relevant laws and regulations as well as the Group's policy on eliminating discrimination. The Company offers diversity and inclusion training and applies the principle of equal opportunity to all policies related to human resources, remuneration and benefits, to ensure employment opportunities for people of all kinds. Any discrimination or harassment against employees owing to their marital status, pregnancy, disability, family status, race or gender are prohibited.

As at 31 December 2023, the Board comprised eight males (89%) and one female (11%). Senior management (including executive directors) comprise one female (12.5%) and seven males (87.5%). Our male and female employees accounted for around 74% and 26% of the total workforce of the Group respectively.

TRAINING FOR DIRECTORS

The Company is obliged to make arrangements for training courses (including the provision of information relating to the Group) in relation to the roles, functions and responsibilities of the Directors so that the Directors are able to update or enhance their knowledge to ensure their continuous contribution to the Board of Directors.

For the year ended 31 December 2023, regulatory updates and information relevant to the Company or its business were provided to Mr. Li Xuanyu (Chairman), Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming, the executive Directors of the Company and Mr. Li Liufa, a non-executive Director of the Company, on a regular basis. Besides, Mr. Li Jiangming also attended seminars for enhancement of continuing professional development organized by the Hong Kong Institute of Chartered Secretaries. Mr. Kong Xiangzhong, an independent non-executive Director of the Company, studied regulatory updates for senior management of listed companies and information of the cement industry regularly. Mr. Wang Ping, an independent non-executive Director, attended webinars for directors organized by professional institutions and Shenzhen Securities Regulatory Commission, studied the regulatory updates of the Stock Exchange on a regular basis and completed online training for continuing professional development as required by the Chinese Institute of Certified Public Accountants for a total of 18 hours. Mr. Du Xiaotang, an independent non-executive Director attended in-house training and training for regulatory updates and corporate governance organized by professional institutions.

RISK MANAGEMENT AND INTERNAL CONTROL

The Board acknowledges its responsibility for the risk management and internal control system and has reviewed the effectiveness of the risk management and internal control system of the Company and its subsidiaries annually through the audit committee, including the effectiveness of financial control, operation control and compliance control, and has confirmed that it is sufficient and effective save and except for the incidents disclosed in section headed "Transactions between Henan Shengye and Tianrui Group" below. The purpose of establishment and effective operation of such systems is to manage but not eliminate the risk of failing to achieve business objectives, and to make reasonable but not absolute assurance for no material misstatement or loss.

The Group establishes a three-level management system to identify, collect, assess, respond, evaluate and improve risk management and internal control. The three-level management system includes all relevant functional departments and business units established internally by all branch companies and subsidiaries, in order to establish a risk management group with managers as persons-in-charge; establishes a risk management office with the Company management and its corporate functional departments and supervisory units thereunder, with general managers of companies as persons-in-charge; supervises management duties by the Board of the Company and the audit committee under the Board. The internal audit institution is the executive department for performing specific supervisory management, where the risk management group will issue risk management manual as guidelines for ordinary identification, collection and report to the risk management office. The legal institution is the advisory institution for the risk management office, it will advise on the preparation of risk management related system and material risk management practice, as well as the establishment of risk management organization and institution and proposal for their duties. The risk management office is a standing risk management institution to report to the audit committee and the Board. The internal audit institution is an ordinary supervisory institution and provides improvement advice to the risk management office, and, if necessary, reports to the audit committee.

In relation to the process and control for the identification, collection, assessment, processing and release of inside information, the Board Office establishes the "Guidelines for Inside Information Management of China Tianrui Group Cement Company Limited"《中國天瑞集團水泥有限公司內幕資訊管理制度》. The Board Office is a standing institution for information disclosure. Officers from all departments and all branch companies and subsidiaries are the first persons-in-charge and designated contact persons for information reporting and report to the Board Office. The Board Office will make assessment on the information collected and report to the secretary of the Board and the Board, if necessary, and proceed with the processing and release, if necessary, in accordance with the instructions.

TRANSACTIONS BETWEEN HENAN SHENGYE AND TIANRUI GROUP

Reference is made to the disclosure of the cash transactions between Henan Shengye (a subsidiary of the Company) and Tianrui Group as disclosed in note 45 to the financial statements. As at 31 March 2024, Henan Shengye and Tianrui Group have nil balance of cash transactions and also ceased relevant transactions.

The Group is principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement. In line with market practice, the Group sold cement under its own brand or through a third party entity under different brand name and pricing policy. In order to differentiate the third party sales channel from the Group's own sales channel, the Group entrusted Tianrui Group as nominee to hold shares in Henan Shengye, and the Group would sell cement product to Henan Shengye which would then sell cement products to third party customers under brand and pricing policy which may be different from the Group's own sales channel.

As Tianrui Group is the registered shareholder of Henan Shengye, staff involved in these transactions had misunderstanding and were not familiar with the Listing Rules, and therefore cash in the accounts of Henan Shengye was allocated and deposited by the banks into Tianrui Group's account opened with Tianrui Finance from time to time (the "Deposits"). The aforesaid Deposits were also deposited from Tianrui Group's as nominee bank account opened with Tianrui Finance to Henan Shengye's bank account according to Henan Shengye's needs from time to time. Tianrui Finance was owned as to 25.5% by the Group and as to 74.5% by Tianrui Group and its subsidiaries.

The Company takes the incident seriously and has undertaken internal investigation, and has taken or will take (as the case may be) the following remedial actions to prevent recurrence:

(i) As at 31 March 2024, the Deposits balance between Henan Shengye and Tianrui Group is zero, and no further Deposits is expected to recur;

(ii) The Company has appointed dedicated officer familiar with the Listing Rules to supervise the bank accounts of Henan Shengye to identify if the transactions of the bank accounts of Henan Shengye are in compliance with the Listing Rules. Besides, no deposit or other transactions between Tianrui Group and any other related parties and the accounts of Henan Shengye is allowed without obtaining the permission from such supervision officer;

(iii) The Company will arrange for a dedicated and in-depth training on Chapter 14 and Chapter 14A of the Listing Rules, in particular in relation to transactions similar to the Deposits, to the executive Directors and the senior management of the Group to strengthen and reinforce their knowledge;

(iv) The Group will provide comprehensive trainings to its relevant staff on connected transactions;

(v) The Company will continue to review and monitor the internal control measures of the Group to ensure all future transactions shall be in compliance with the applicable requirements of the Listing Rules and other relevant laws and regulations; and

(vi) The Company and Tianrui Group are now discussing the possibility of payment of interests by Tianrui Group to the Company for the previous Deposits.

BOARD COMMITTEES

There is an audit committee, a nomination committee and a remuneration committee under the Board (collectively referred to as the "Board Committees"). The Board Committees have been provided with sufficient resources to discharge their duties, and may, upon reasonable request, seek independent professional opinions at the expense of our Company under appropriate circumstances.

Audit Committee

The responsibilities of the Audit Committee are to assist the Board in performing its fiduciary duties relating to accounting, auditing, financial reporting, risk management and internal control of the Company and its subsidiaries (the "Group") and the Group's compliance with the relevant laws and regulations, including, but not limited to, to assist the Board in supervising (a) the completeness of the financial report of the Company; (b) the Company's compliance with the requirements of laws and regulations; (c) the qualifications and independence of the independent auditor of the Company and its performance of duties; (d) the performance of duties of the internal audit department of the Company; and (e) the design, implementation and supervision of the Company's risk management and internal control system.

The Audit Committee currently comprises three members, being independent non-executive Directors Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. Mr. Wang Ping is the chairman of the Audit Committee.

For the year from 1 January 2023 to 31 December 2023, the Company held a total of two Audit Committee meetings, at which it mainly reviewed and approved the annual audit report for 2022 issued by Deloitte and the interim review report for 2023. Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang attended both two meetings.

The Audit Committee and the management of our Company discussed and reviewed the audited consolidated financial information of the Group for the year ended 31 December 2023.

Nomination Committee

The responsibilities of the Nomination Committee are to assess the independence of the independent non-executive Directors, review the effectiveness of the Board Diversity Policy and its execution, assist the Board in dealing with the nomination of members and composition of the Board and to make recommendations on appointment and removal of Directors to the Board. The Nomination Committee comprises three members, being independent non-executive Directors Mr. Kong Xiangzhong, Mr. Wang Ping and non-executive Director Mr. Li Liufa. Mr. Kong Xiangzhong is the chairman of the Nomination Committee.

For the year from 1 January 2023 to 31 December 2023, the Company held one Nomination Committee meeting, at which it mainly reviewed the structure, number of members and composition of the Board, assessed the independence of the independent non-executive Directors, discussed the retirement by rotation and re-election of each Director and reviewed the effectiveness of the Board Diversity Policy and its execution. Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Li Liufa attended the meeting.

The Nomination Policy

The nomination policy (the "Nomination Policy") sets out the nomination procedures, the process and criteria adopted by the Nomination Committee to select and recommend suitable candidates of directorship. In evaluating and selecting any candidate for the directorship, the following criteria should be considered:

- skills, knowledge, experience and professional expertise which are relevant to the operations of the Group;
- diversity aspects under the Board Diversity Policy of the Group;
- willingness and ability to devote adequate time to discharge duties as a member of the Board and/or Board committee(s) of the Company;
- character and integrity;
- for independent non-executive Directors, whether the candidate would be considered independent with reference to the independence guidelines set out in the Listing Rules; and
- any potential contributions that the candidate can bring to the Board.

Procedures for Nomination of Directors

Appointment of director

(i) If the Nomination Committee determines that an additional or replacement director is required, the Committee may take such measures that it considers appropriate in connection with its identification and evaluation of a candidate, including internal promotion, referral from directors, shareholders, management, advisors of the Company and external executive search firms.

(ii) The Nomination Committee may propose to the Board a candidate recommended or offered for nomination by a shareholder of the Company as a nominee for election to the Board and the appointment or re-appointment of directors and succession planning for directors is subject to the approval of the Board.

(iii) On making recommendation, the Nomination Committee may submit the candidate's personal profile and a proposal to the Board for consideration. In order to be a valid proposal, the proposal must clearly indicate the nominating intention and the candidate's consent to be nominated and the personal profile must incorporate and/or be accompanied by the full particulars of the candidate that are required to be disclosed under the Listing Rules, including the information and/or confirmation required under Rule 13.51(2) of the Listing Rules. If the candidate is proposed to be appointed as an independent non-executive director, his or her independence shall be assessed in accordance with the factors set out in Rule 3.13 of the Listing Rules, subject to any amendments as may be made by the Stock Exchange from time to time.

(iv) The Board shall observe the Board Diversity Policy and shall, subject to merit and suitability, continue in its endeavours to introduce more diversity into the Board, taking into account professional experience and qualifications, gender, age, cultural and educational background, and any other factors that the Board might consider relevant and applicable from time to time towards achieving board diversity.

Re-election of director

(i) When a retiring director, being eligible, offers himself or herself for re-election, the Board shall consider and, if it considers appropriate, recommend such retiring director to stand for re-election at a general meeting. A circular containing the requisite information on such retiring director will be sent to the shareholders of the Company prior to a general meeting in accordance with the Listing Rules.

(ii) If an independent non-executive Director is subject to the re-election, the Nomination Committee and/or the Board will also assess and consider whether he or she will continue to satisfy the independence requirements as set out in the Listing Rules.

(iii) Each proposed appointment or re-election of a Director shall be assessed and/or considered against the criteria and qualifications set out in the Nomination Policy by the Nomination Committee which shall recommend its views to the Board and/or the Shareholders for consideration and determination.

Remuneration Committee

The responsibilities of the Remuneration Committee are to make recommendations to the Board as to the appointment procedures and criteria, the overall remuneration policy and structure of all Directors and senior management of the Group, to review individual performance-based remuneration and to ensure no Director participates in the determination of his own remuneration. The Remuneration Committee has adopted the practice under the code provision E.1.2(c)(i) to recommend the remuneration packages of selected executive Directors and senior management to the Board. The Remuneration Committee comprises three members, being independent non-executive Directors Mr. Du Xiaotang, Mr. Kong Xiangzhong and executive Director Mr. Xu Wuxue. Mr. Du Xiaotang is the chairman of the Remuneration Committee.

For the year from 1 January 2023 to 31 December 2023, the Company held one Remuneration Committee meeting, at which it mainly discussed and approved the remuneration policy and structure of all Directors and senior management of the Group, reviewed the remuneration payments of Directors and senior management for 2023 and the remuneration of Mr. Li Xuanyu as Director and chairman. Mr. Du Xiaotang, Mr. Kong Xiangzhong and Mr. Xu Wuxue attended the meeting.

REMUNERATION OF SENIOR MANAGEMENT

The remuneration policy of the senior management has been recommended, reviewed and approved by our Remuneration Committee. The remuneration of the senior management who appear in the section headed "Profiles of Directors and Senior Management" in this Annual Report for the year ended 31 December 2023 was classified into one class: remuneration below RMB1,000,000.

DIVIDENDS POLICY

The Board has approved and adopted a dividend policy (the "Dividend Policy"). According to the Dividend Policy, in deciding whether to propose a dividend and in determining the dividend amount, the Board shall take into account, inter alia, the following factors:

1. the general financial condition of the Group;
2. the Group's actual and future operations and liquidity position;
3. the Group's future business expansion plans;
4. the Group's debt to equity ratios and the debt level;
5. the retained earnings and distributable reserves of the Group;
6. the general market conditions;
7. the cost of financing; and
8. any other factors that the Board might think appropriate.

Dividends may be declared and paid to the shareholders of the Company by way of cash or by other means that the Board considers appropriate. The declaration and payment of dividend by the Company is also subject to any restrictions under the Companies Law of the Cayman Islands and the Company's articles of association and any other applicable laws and regulations. The Board will continually review the Dividend Policy and reserves the right in its sole and absolute discretion to update, amend, modify and/or cancel the Dividend Policy at any time. The Dividend Policy shall in no way constitute a legally binding commitment by the Company in respect of its future dividend and/or in no way obligate the Company to declare a dividend at any time or from time to time.

INDEPENDENT AUDITOR'S APPOINTMENT AND COMPENSATION

The independent auditor of our Company is Deloitte Touche Tohmatsu. For the year ended 31 December 2023, the compensation payable by the Company for the statutory audit provided by Deloitte Touche Tohmatsu is as follows:

Services provided by auditors	**Compensation** (RMB million)
Audit of annual report	4.05

In addition, other audit service for the year ended 31 December 2023 provided by Deloitte Touche Tohmatsu is nil.

The Audit Committee is responsible for making recommendations to the Board as to the appointment, re-appointment and removal of the independent auditors, which is subject to the approval by the Board and shareholders of the Company at the general meetings.

The Audit Committee will take into account certain factors including the audit performance, quality and objectivity and independence of the auditors, when assessing the independent auditors.

DIRECTORS' AND AUDITORS' RESPONSIBILITIES FOR THE FINANCIAL STATEMENTS

The Directors of our Company have confirmed that they are responsible for making balanced, clear and understandable assessment of the consolidated financial statements set out in the annual and interim results. In preparing the financial report for the year ended 31 December 2023, the Directors have selected and applied consistently appropriate accounting policies, have adopted appropriate IFRS and have made prudent and reasonable judgment and estimates, and have prepared the financial statements on a going concern basis. The statement of the independent auditors of our Company regarding the presentation obligations for and opinions on the financial statements for the year ended 31 December 2023, are set out in the section headed the "Independent Auditor's Report" in this Annual Report.

JOINT COMPANY SECRETARIES

Mr. Li Jiangming and Mr. Chen Kun are the joint company secretaries of the Company since 1 April 2022. For their details, please see the section headed "Profiles of Directors and Senior Management".

For the year ended 31 December 2023, each of Mr. Li and Mr. Chen attended 15 hours of relevant professional training in compliance with Rule 3.29 of the Listing Rules.

SHAREHOLDERS' RIGHTS

The general meetings of our Company provide an opportunity for communication between the shareholders and the Board. An annual general meeting of our Company shall be held in each year. Each general meeting, other than an annual general meeting is referred to as an extraordinary general meeting ("EGM").

According to article 58 of the Articles of Association of our Company, any one or more shareholders holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of our Company carrying the right of voting at general meetings of our Company shall have the right, by written requisition to the Board or the secretary of our Company, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two (2) months after the deposit of such requisition. If within twenty-one (21) days of such deposit the Board fails to proceed to convene such meeting, the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by our Company.

According to article 85 of the Articles of Association of our Company, no person other than a retiring Director at the meeting shall, unless recommended by the Directors for election, be eligible for election as a Director at any general meeting unless a notice signed by a shareholder (other than the person to be proposed) duly qualified to attend and vote at the meeting for which such notice is given of his intention to propose such person for election and also a notice signed by the person to be proposed of his willingness to be elected shall have been lodged at the head office or at the registration office provided that the minimum length of the period, during which such notice(s) are given, shall be at least seven (7) days and that (if notices are submitted after the dispatch of the notice of the general meeting appointed for such election) the period for lodgment of such notice(s) shall commence on the day after the dispatch of the notice of the general meeting appointed for such election and end no later than seven (7) days prior to the date of such general meeting. The written notice must include the candidate's biographical details as required by rule 13.51(2) of the Listing Rules. The procedures for a shareholder to propose a candidate for election as a Director have been published on the Company's website.

Shareholders may also at any time make enquires to the Board. All enquiries shall be in writing and sent by post to the principal place of business of our Company in Hong Kong or by e-mail to larryli@ctrcement.com or ir@ctrcement.com for the attention of the joint company secretaries.

INVESTOR RELATIONS

There were no material changes to the Articles of Association of our Company for the period from 1 January 2023 to 31 December 2023. Our Company has been strictly following and implementing the Listing Rules, timely disclosing true, accurate and complete information that needs to be disclosed, and also actively and timely disclosing information that might materially affect the decision-making of shareholders and other interested parties.

Our senior management is committed to maintaining communication channels with investors to provide them with thorough understanding of our Company and its business and strategies. In this regard, our Company has specially designated a director of investor relations, and has established and maintained proper communication channels for proper communication with investors and information disclosure.

Independent Auditor's Report

Deloitte. 德勤

To the Members of China Tianrui Group Cement Company Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of China Tianrui Group Cement Company Limited (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 63 to 159, which comprise the consolidated statement of financial position as at 31 December 2023, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including material accounting policy information and other explanatory information.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2023, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board ("IASB") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTER

Key audit matter is the matter that, in our professional judgment, was of most significance in our audit of the consolidated financial statements of the current period. This matter was addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on this matter.

Key audit matter	How our audit addressed the key audit matter
Impairment assessment of goodwill arising from the acquisition of the subsidiaries As at 1 January 2023, the carrying amounts of goodwill brought forward from previous year amounting to RMB284,233,000. As described in Note 4 to the consolidated financial statements, the management of the Group carried out an annual impairment assessment of goodwill. The carrying amount of the cash-generating unit ("CGU") exceeding its recoverable amount by RMB199,388,000. This impairment loss is recognised for the year ended 31 December 2023. The goodwill after taking the impairment loss above is RMB84,845,000 as set out in Note 21 to the consolidated financial statements. We identified the impairment assessment on goodwill arising from the acquisition of the subsidiaries as a key audit matter due to the adoption of certain subjective assumptions by the management in the estimation of value in use, including the annual cement price growth rates, annual sales volume growth rates, gross profit rates and discount rate.	Our procedures in relation to impairment assessment of goodwill arising from the acquisition of the subsidiaries included: • Evaluating the completeness and accuracy of the underlying data used in the estimation of value in use; • Evaluating the historical accuracy of the cash flows projections of the respective CGUs to which the goodwill belongs by comparing the annual cement price growth rates, annual sales volume growth rates and the gross profit rates with the actual results in the current year and understanding the causes of any significant variances; • Assessing the rationality of the key assumptions, included the annual cement price growth rates, annual sales volume growth rates and gross profit rates applied by management by comparing against with the external market data; • Involving our internal valuation specialist to evaluate the appropriateness of the discount rate that the management used in the estimation of value in use; and • Assessing the appropriateness of the related disclosure included in Note 4 and Note 21 to the consolidated financial statements.

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with IFRSs issued by the IASB and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in the independent auditor's report is Patrick P.C. Cheng.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
1 April 2024

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
Revenue	5	**7,888,810**	11,055,439
Cost of sales		**(6,259,487)**	(8,341,595)
Gross profit		**1,629,323**	2,713,844
Other income	7	**396,574**	534,534
Impairment loss under expected credit loss model, net of reversal	8	**5,005**	1,235
Loss on changes in fair value of financial assets at fair value through profit or loss ("FVTPL")		**(2,248)**	(284)
Other gains and losses	9	**(197,640)**	(188,530)
Distribution and selling expenses		**(239,672)**	(240,617)
Administrative expenses		**(905,591)**	(954,283)
Other expenses		**(69,984)**	(110,081)
Share of results of associates		**(93,533)**	(34,544)
Finance costs	10	**(1,152,053)**	(1,033,388)
(Loss)/profit before tax		**(629,819)**	687,886
Income tax credit/(expenses)	11	**6,295**	(148,598)
(Loss)/profit and total comprehensive (expense)/income for the year	12	**(623,524)**	539,288
(Loss)/profit and total comprehensive (expense)/income for the year attributable to:			
Owners of the Company		**(633,875)**	448,690
Non-controlling interests		**10,351**	90,598
		(623,524)	539,288

	Notes	2023 RMB	2022 RMB
(Loss)/earnings per share			
Basic and diluted	15	**(0.22)**	0.15

Consolidated Statement of Financial Position

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment	17	**9,279,029**	9,768,770
Long-term prepayments and receivables	18	**151,490**	1,271,337
Right-of-use assets	19	**1,037,347**	993,444
Mining rights	20	**1,554,988**	1,485,269
Goodwill	21	**84,845**	284,233
Other intangible assets	22	**14,000**	14,000
Interests in associates	23	**1,004,269**	1,086,802
Derivative financial instruments		**—**	495
Deferred tax assets	37	**104,811**	109,613
Pledged bank balances	28	**15,789**	26,895
Amount due from an associate	26	**—**	428,632
		13,246,568	15,469,490
CURRENT ASSETS			
Inventories	24	**819,126**	1,042,962
Trade and other receivables	25	**19,606,156**	9,240,184
Amounts due from associates	26	**595,332**	1,017,335
Financial assets at FVTPL	27	**13,085**	38,901
Pledged bank balances	28	**5,118,386**	4,546,923
Cash, deposits and bank balances	29	**1,174,841**	987,797
		27,326,926	16,874,102
CURRENT LIABILITIES			
Trade and other payables	30	**4,707,418**	4,403,336
Contract liabilities	31	**444,437**	571,383
Lease liabilities due within one year	36	**2,180**	3,579
Other financial liabilities	32	**256,200**	1,175,772
Short-term loans from an associate	33	**1,120,000**	870,000
Borrowings due within one year	34	**11,969,069**	6,150,439
Long-term corporate bonds due within one year		**—**	29,478
Current tax liabilities		**270,485**	302,362
Financial guarantee contracts	35	**44,428**	15,381
		18,814,217	13,521,730
NET CURRENT ASSETS		**8,512,709**	3,352,372
TOTAL ASSETS LESS CURRENT LIABILITIES		**21,759,277**	18,821,862

At 31 December 2023

	Notes	2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Share capital	40	**24,183**	24,183
Share premium and reserves		**15,442,253**	16,290,643
Equity attributable to owners of the Company		**15,466,436**	16,314,826
Non-controlling interests	50	**319,631**	275,268
TOTAL EQUITY		**15,786,067**	16,590,094
NON-CURRENT LIABILITIES			
Borrowings due after one year	34	**4,623,425**	1,397,015
Lease liabilities due after one year	36	**5,664**	5,618
Deferred tax liabilities	37	**154,975**	159,218
Deferred income	38	**175,372**	192,416
Provision for environmental restoration	39	**45,811**	54,408
Other long-term payables	20	**358,073**	423,093
Other financial liabilities due after one year	32	**609,890**	—
		5,973,210	2,231,768
		21,759,277	18,821,862

The consolidated financial statements on pages 63 to 159 were approved and authorised for issue by the board of directors on 1 April 2024 and are signed on its behalf by:

Xu Wuxue
DIRECTOR

Li Jiangming
DIRECTOR

Consolidated Statement of Changes in Equity

For the year ended 31 December 2023

	Attributable to owners of the Company									
	Share capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note (i))	Statutory reserve RMB'000 (Note (ii))	Other reserves RMB'000 (Note (iii))	Revaluation reserve RMB'000 (Note (iv))	Retained earnings RMB'000	Subtotal RMB'000	Non-controlling interests RMB'000	Total RMB'000
At 1 January 2022	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 and total comprehensive income for the year	—	—	—	—	—	—	448,690	448,690	90,598	539,288
Statutory fund appropriation	—	—	—	50,316	—	—	(50,316)	—	—	—
Financial guarantee provided to related parties (Note 35)	—	—	—	—	(17,472)	—	—	(17,472)	—	(17,472)
At 31 December 2022	**24,183**	**1,066,648**	**789,990**	**1,662,050**	**1,001,058**	**31,768**	**11,739,129**	**16,314,826**	**275,268**	**16,590,094**
(Loss)/profit and total comprehensive (expense)/ income for the year	**—**	**—**	**—**	**—**	**—**	**—**	**(633,875)**	**(633,875)**	**10,351**	**(623,524)**
Capital injection from non-controlling interest	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**80,000**	**80,000**
Purchase of non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**(163,595)**	**(163,595)**	**43,595**	**(120,000)**
Statutory fund appropriation	**—**	**—**	**—**	**32,406**	**—**	**—**	**(32,406)**	**—**	**—**	**—**
Financial guarantee provided to related parties (Note 35)	**—**	**—**	**—**	**—**	**(50,920)**	**—**	**—**	**(50,920)**	**—**	**(50,920)**
Dividend paid to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(89,583)**	**(89,583)**
At 31 December 2023	**24,183**	**1,066,648**	**789,990**	**1,694,456**	**950,138**	**31,768**	**10,909,253**	**15,466,436**	**319,631**	**15,786,067**

Notes:

(i) Capital reserve represents the excess of capital injection over the registered capital of Tianrui Cement Group Company Limited ("Tianrui Cement"), a subsidiary of the Group, upon a group reorganisation in prior years.

(ii) The amount mainly represents statutory reserve fund. According to the relevant laws in the People's Republic of China (the "PRC"), each of the subsidiaries established in the PRC is required to allocate a portion of its profit after tax 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) Movement in other reserves mainly represent the fair value of financial guarantee contracts at initial recognition provided to Tianrui Group Company Limited ("Tianrui Group") and its subsidiaries debited to other reserves totaling RMB130,782,000 up to 31 December 2023 (2022: RMB79,862,000).

(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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (restated)
Operating activities:		
(Loss)/profit before tax	**(629,819)**	687,886
Adjustments for:		
Net reversal of impairment losses under expected credit loss model	**(5,005)**	(1,235)
Loss on changes in fair value of financial assets at FVTPL	**2,248**	284
Share of results of associates	**93,533**	34,544
Finance costs	**1,152,053**	1,033,388
Interest income	**(103,485)**	(94,445)
Release of deferred income	**(17,044)**	(17,044)
Release of financial guarantee liabilities	**(21,872)**	(13,020)
Foreign exchange (gain)/loss, net	**(17,939)**	141,642
Impairment loss of goodwill	**199,388**	16,624
Impairment loss of property, plant and equipment	**15,352**	27,376
(Gain)/loss on disposal of property, plant and equipment, net	**(7,301)**	168
Depreciation of property, plant and equipment	**822,650**	1,057,329
Amortisation of right-of-use assets	**34,560**	48,692
Amortisation of mining rights	**97,051**	91,160
Provision for environmental restoration	**26,868**	37,122
Operating cash flows before movements in working capital	**1,641,238**	3,050,471
Movements in working capital:		
Decrease/(increase) in inventories	**223,836**	(192,241)
(Increase)/decrease in trade and other receivables	**(6,908,217)**	2,698,561
Decrease/(increase) in amount due from an associate	**804,102**	(59,683)
Increase/(decrease) in trade and other payables	**205,083**	(660,032)
(Decrease)/increase in contract liabilities	**(126,946)**	44,491
Utilisation of provision for environmental restoration	**(35,465)**	(26,136)
Cash (used in)/generated from operations	**(4,196,369)**	4,855,431
Income tax paid	**(25,023)**	(139,752)
Net cash (used in)/generated from operating activities	**(4,221,392)**	4,715,679

Consolidated Statement of Cash Flows

For the year ended 31 December 2023

	2023 RMB'000	2022 RMB'000 (restated)
Investing activities:		
Interest received	**103,485**	94,445
Proceeds from disposal of property, plant and equipment	**37,837**	12,608
Payments for property, plant and equipment	**(378,420)**	(851,290)
Refund of deposits paid for acquisition of business	**—**	104,959
Payments for right-of-use assets	**(75,589)**	(25,258)
Payments for mining rights	**(86,952)**	(98,388)
Cash received from the loans to an associate	**46,533**	61,224
Payments for investment in an associate	**(11,000)**	(10,000)
Purchase of financial assets at FVTPL	**(3,000)**	(138,599)
Proceeds from disposal of financial assets at FVTPL	**27,063**	109,768
Placement of pledged bank balances	**(12,998,425)**	(9,475,913)
Withdrawal of pledged bank balances	**12,437,705**	9,319,052
Cash paid to Tianrui Group (Note 45)	**(11,072,960)**	(11,674,398)
Cash received from Tianrui Group (Note 45)	**13,895,270**	8,896,643
Net cash generated from/(used in) investing activities	**1,921,547**	(3,675,147)
Financing activities:		
Interest paid	**(632,767)**	(854,989)
Interest paid for other financial liabilities	**(41,139)**	(102,693)
New borrowings raised	**20,907,109**	8,757,556
Repayment of borrowings	**(17,551,613)**	(8,666,457)
Repayment of lease liabilities	**(4,807)**	(38,828)
Loan from an associate	**1,520,000**	4,070,000
Repayment of loan from an associate	**1,296,891**	(4,443,624)
Cash received from Tianrui Group (Note 45)	**—**	1,101,826
Cash paid to Tianrui Group (Note 45)	**—**	(1,101,826)
Repayment of other financial liability	**(382,252)**	(48,609)
Repayment of guaranteed notes	**—**	(994,632)
Repayment of long-term corporate bonds	**(30,751)**	(41,090)
Net cash generated from/(used in) financing activities	**2,486,889**	(2,363,366)
Net increase/(decrease) in cash and cash equivalents	**187,044**	(1,322,834)
Cash and cash equivalents at beginning of year	**987,797**	2,310,631
Cash and cash equivalents at end of year, represented by cash, deposits and bank balances	**1,174,841**	987,797

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. The shares of the Company are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The registered office of the Company is Cricket Square, Hutchins Drive PO 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 PRC.

The Company is an investment holding company. The principal activities of 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 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 NEW AND AMENDMENTS TO INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRSs")

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

In the current year, the Group has applied the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the Group's annual period beginning on 1 January 2023 for the preparation of the consolidated financial statements:

IFRS 17 (including the June 2020 and December 2021 Amendments to IFRS 17)	*Insurance Contracts*
Amendments to IAS 8	*Definition of Accounting Estimates*
Amendments to IAS 12	*Deferred Tax Related to Assets and Liabilities Arising from a Single Transaction*
Amendments to IAS 12	*International Tax Reform — Pillar Two Model Rules*
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*

Except as described below, the application of the new and 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") (Con'd)

2.1 New and amendments to IFRSs that are mandatorily effective for the current year (Con'd)

Impacts on application of Amendments to IAS 1 and IFRS Practice Statement 2 "Disclosure of Accounting Policies"

The Group has applied the amendments for the first time in the current year. IAS 1 "Presentation of Financial Statements" is amended to replace all instances of the term "significant accounting policies" with "material accounting policy information". Accounting policy information is material if, when considered together with other information included in an entity's financial statements, it can reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements.

The amendments also clarify that accounting policy information may be material because of the nature of the related transactions, other events or conditions, even if the amounts are immaterial. However, not all accounting policy information relating to material transactions, other events or conditions is itself material. If an entity chooses to disclose immaterial accounting policy information, such information must not obscure material accounting policy information.

IFRS Practice Statement 2 "Making Materiality Judgements" (the "Practice Statement") is also amended to illustrate how an entity applies the "four-step materiality process" to accounting policy disclosures and to judge whether information about an accounting policy is material to its financial statements. Guidance and examples are added to the Practice Statement.

The application of the amendments has had no material impact on the Group's financial positions and performance but has affected the disclosure of the Group's accounting policies set out in Note 3 to the consolidated financial statements.

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

2.2 Amendments to IFRSs in issue but not yet effective

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

Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[1]
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 7 and IFRS 7	*Supplier Finance Arrangements*[2]
Amendments to IAS 21	*Lack of Exchangeability*[3]

1 Effective for annual periods beginning on or after a date to be determined.

2 Effective for annual periods beginning on or after 1 January 2024.

3 Effective for annual periods beginning on or after 1 January 2025.

The directors of the Company anticipate that the application of all amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION

3.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and by the Hong Kong Companies Ordinance.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;
- is exposed, or has rights, to variable returns from its involvement with the investee; and
- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

The identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting (the "Conceptual Framework") except for transactions and events within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or International Financial Reporting Interpretations Committee ("IFRIC") -Int 21 Levies, in which the Group applies IAS 37 or IFRIC-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at the acquisition date. If, after re-assessment, the net of the acquisition-date amounts of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation may be initially measured either at fair value or at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets. The choice of measurement basis is made on a transaction-by-transaction basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or group of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purposes and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is an indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

Any impairment loss for goodwill is recognised directly in profit or loss. An impairment loss recognised for goodwill is not reversed in subsequent periods.

The Group's policy for goodwill arising on the acquisition of an associate is described below.

Investments in associates

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

The results and assets and liabilities of associates are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Investments in associates (Con'd)

Under the equity method, an investment in an associate is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate. Change in net assets of the associates other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate exceeds the Group's interest in that associate (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate.

An investment in an associate is accounted for using the equity method from the date on which the investee becomes an associate. On acquisition of the investment in an associate, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When a group entity transacts with an associate of the Group, profits and losses resulting from the transactions with the associate are recognised in the Group's consolidated financial statements only to the extent of interests in the associate that are not related to the Group.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with IFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Revenue from contracts with customers (Con'd)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial recognition or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of factories, machinery and equipment that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Leases (Con'd)

Definition of a lease (Con'd)

Right-of-use assets

The cost of right-of-use assets includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received; and
- any initial direct costs incurred by the Group.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Leases (Con'd)

The Group as a lessee

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- amounts expected to be payable by the Group under residual value guarantees;
- the exercise price of a purchase option if the Group is reasonably certain to exercise the option; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising an option to terminate the lease.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under "Other income".

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Taxation

Income tax expense represents the sum of current and deferred income tax expense.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of each reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated statement of financial position and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such assets and liabilities are not recognised if the temporary difference arises from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit and at the time of the transaction does not give rise to equal taxable and deductible temporary differences. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of each reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of each reporting period, to recover or settle the carrying amount of its assets and liabilities.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Taxation (Con'd)

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

In assessing any uncertainty over income tax treatments, the Group considers whether it is probable that the relevant tax authority will accept the uncertain tax treatment used, or proposed to be use by individual group entities in their income tax filings. If it is probable, the current and deferred taxes are determined consistently with the tax treatment in the income tax filings. If it is not probable that the relevant taxation authority will accept an uncertain tax treatment, the effect of each uncertainty is reflected by using either the most likely amount or the expected value.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes other than construction in progress, are stated at cost less subsequent accumulated depreciation and accumulated impairment losses, if any.

Construction in progress in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management, including costs of testing whether the related assets is functioning properly and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy.

Depreciation is recognised to write off the cost of items of property, plant and equipment other than construction in progress and stripping costs (see the accounting policy below), over their estimated useful lives and after taking into account of their estimated residual values, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Property, plant and equipment (Con'd)

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Stripping costs

Stripping costs incurred during the development of a limestone mine and during the production phase which provide improved access to ore are capitalised into property, plant and equipment when it is probable that its future economic benefits associated with such costs will flow to the Group. The costs of normal ongoing operational stripping activities are accounted for in accordance with IAS 2. Depreciation of capitalised stripping costs is provided on a straight-line basis over their estimated useful lives.

Mining rights

Mining rights acquired separately and with finite useful lives are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation of mining rights with finite useful lives is provided on a straight-line basis over their estimated useful lives.

Impairment of property, plant and equipment, right-of-use assets, mining rights and other intangible assets other than goodwill

At the end of the reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets and mining rights to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment loss, if any. Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, mining rights and other intangible assets are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs. In addition, the Group assesses whether there is indication that corporate assets may be impaired.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Impairment of property, plant and equipment, right-of-use assets, mining rights and other intangible assets other than goodwill (Con'd)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit.

The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

When an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Inventories

Inventories are stated at the lower of cost and net realisable value. Costs are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Provisions

Provision for environmental restoration

The Group is required to incur costs for environment restoration after the underground sites have been mined. Provision for restoration costs were recognised when the Group has a present obligation as a result of a past event, it is probable that the Group will be required to settle that obligation, and a reliable estimate can be made of the amount of the obligation. Provision is measured at the best estimate of the consideration required to settle the present obligation at the end of each reporting period, taking into account the risks and uncertainties surrounding the obligation. Where a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of the money is material).

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with IFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Classification and subsequent measurement of financial assets (Con'd)

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative that is not designated and effective as a hedging instrument.

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

(ii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or fair value through other comprehensive income ("FVTOCI") or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9

The Group performs impairment assessments under expected credit loss ("ECL") model on financial assets (including trade and other receivables, bills receivables, amounts due from associates, pledged deposits, cash, deposits and bank balances) and other items including financial guarantee contracts which are subject to impairment assessment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed individually for debtors with significant balances and/or collectively using a provision matrix with appropriate groupings and circumstances.

For all other instruments, the Group measures the loss allowance equal to 12-month ECL, unless there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Con'd)

(i) Significant increase in credit risk (Con'd)

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

For financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing the financial instrument for impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition for financial guarantee contracts, the Group considers the changes in the risk that the specified debtor will default on the contract.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount become past due.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Con'd)

(ii) Definition of default

For internal credit risk management, the Group considers an event occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation.

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Con'd)

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group assess individually for debtors with significant balance or uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience and forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Lifetime ECL for certain trade receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Impairment of financial assets and other items subject to impairment assessment under IFRS 9 (Con'd)

(v) Measurement and recognition of ECL (Con'd)

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

For financial guarantee contracts, the loss allowances are recognised at the higher of the amount of the loss allowance determined in accordance with IFRS 9; and the amount initially recognised less, where appropriate, cumulative amount of income recognised over the guarantee period.

Except for financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial assets measured at amortised cost by adjusting their carrying amount, with the exception of trade receivables and other receivables where the corresponding adjustment is recognised through a loss allowance account.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial assets (Con'd)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group recognises its retained interest in the asset and an associated liability for amounts it may have to pay. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

Financial liabilities and equity instruments

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of an entity after deducting all of its liabilities. Equity instruments issued by the Company are recognised at the proceeds received, net of direct issue costs.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the Company's own equity instruments.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial liabilities and equity instruments (Con'd)

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) contingent consideration of an acquirer in a business combination to which IFRS 3 applies, (ii) held for trading or (iii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

Financial liabilities at amortised cost

Financial liabilities including trade and other payables, other financial liabilities, loan from an associate, long-term corporate bonds, borrowings, and other long-term payables are subsequently measured at amortised cost, using the effective interest method.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS AND MATERIAL ACCOUNTING POLICY INFORMATION (Con'd)

3.2 Material accounting policy information (Con'd)

Financial instruments (Con'd)

Financial liabilities and equity instruments (Con'd)

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

Modification of financial liabilities such as borrowings, trade and other payables, etc.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidated statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognised amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY

In the application of the Group's accounting policies, which are described in Note 3, the directors of the Company are required to make judgments, estimates and assumptions about the carrying amount of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimates are revised if the revision affects only that period, or in the period of the revision and the future periods if the revision affects both current and future periods.

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of each reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Estimated impairment of property, plant and equipment, right-of-use assets and mining rights

Property, plant and equipment, right-of-use assets and mining rights are stated at costs less accumulated depreciation and amortisation and impairment, if any. The directors of the Company review their impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable at the end of each reporting period. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

In determining whether an asset is impaired or the event previously causing the impairment no longer exists, the directors of the Company require an estimation of recoverable amount of an individual asset or the cash-generating units to which the asset belongs, and has to exercise judgement and make significant degree of estimation in determining the recoverable amount of the assets, particularly in assessing: (1) whether an event has occurred or any indicators that may affect the asset's value; (2) whether the carrying value of an asset can be supported by the recoverable amount, in the case of value in use, the net present value of future cash flows which are estimated based upon the continued use of the asset; and (3) the appropriate key assumptions to be applied in estimating the recoverable amounts including cash flow projections and an appropriate discount rate. When it is not possible to estimate the recoverable amount of an individual asset, the Group estimates the recoverable amount of the cash-generating unit to which the assets belong including allocation of corporate assets when a reasonable and consistent basis of allocation can be established, otherwise recoverable amount is determined at the smallest group of cash-generating units, for which the relevant corporate assets have been allocated.

4. KEY SOURCES OF ESTIMATION UNCERTAINTY (Con'd)

Estimated impairment of property, plant and equipment, right-of-use assets and mining rights (Con'd)

As disclosed in Note 17, due to the decline in demand in the cement market as a result of factors including the downturn in the real estate market and the depressed market demand of cement products, there is an indication that the Group's property, plant and equipment, right-of-use assets and mining rights with an aggregate net carrying amount of RMB5,783,657,000 (2022: RMB402,218,000) may suffer impairment losses, and the directors of the Company had conducted relevant impairment testing. The recoverable amounts of the individual assets or cash-generating units (the "CGUs") to which these assets belong have been determined based on a value in use calculation. Based on the management's estimation of the recoverable amounts of the individual assets/CGUs as at 31 December 2023, impairment of RMB15,352,000 (2022: RMB27,376,000) has been recognised in the current year.

Changing the assumptions selected by the management including forecasts of cement price growth rate, annual sales volume growth rates, gross profit ratio and discount rate to determine the level of impairment could materially affect the net present value used in the impairment testing.

Details of property, plant and equipment, right-of-use assets and mining rights are disclosed in Notes 17, 19 and 20, respectively.

Estimated impairment of goodwill

Determining whether goodwill is impaired requires a significant degree of estimates made by the directors of the Company in determining the recoverable amount of the CGU (or group of CGUs) to which goodwill has been allocated. The recoverable amount of CGU (or group of CGUs) to which goodwill has been allocated are determined by a value in use method, primarily based on the cash flow projections and a discount rate. The key assumptions and inputs used in cash flow projections including cement price growth rate, annual sales volume growth rate, gross profit ratio and discount rate. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, a material impairment loss or further impairment loss may arise.

In 2023, impairment losses amounted to RMB199,388,000 (2022: RMB16,624,000) has been recognised. As at 31 December 2023, the carrying amount of goodwill net of impairment recognised was RMB84,845,000 (2022: RMB284,233,000). Details are disclosed in Note 21.

5. REVENUE

Disaggregation of revenue from contracts with customers:

	2023 RMB'000	2022 RMB'000
Revenue recognised at a point in time:		
Sales of cement	**6,087,333**	8,552,711
Sales of limestone aggregate	**1,502,820**	1,652,967
Sales of clinker	**298,657**	849,761
	7,888,810	11,055,439

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

6. SEGMENT INFORMATION

Segment information has been identified on the basis of internal management reports, which are regularly reviewed by an executive committee, which comprised 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 chief operating decision maker reviews the Group's internal reporting which is mainly based on two broad geographical locations for the purpose of resources allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. Central China ("Central China") includes Henan Province and Anhui Province. Northeastern China ("Northeast China") includes Liaoning Province and Tianjin. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

6. SEGMENT INFORMATION (Con'd)

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

	Segment revenue		Segment (loss)/profit	
	2023	2022	**2023**	2022
	RMB'000	RMB'000	**RMB'000**	RMB'000
Central China	**6,449,357**	8,835,047	**(347,027)**	845,737
Northeast China	**1,439,453**	2,220,392	**(197,210)**	89,226
Total	**7,888,810**	11,055,439	**(544,237)**	934,963
Unallocated corporate administrative expenses and finance costs			**(96,387)**	(164,663)
Unallocated other gains and losses			**13,053**	(82,130)
Loss on changes in fair value of financial assets at FVTPL			**(2,248)**	(284)
(Loss)/profit before tax			**(629,819)**	687,886

The accounting policies of the reportable and operating segments are the same as the Group's accounting policies described in Note 3.2. Segment (loss)/profit represents the (loss)/profit before tax without allocation of certain corporate administrative expenses and finance costs 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.

6. SEGMENT INFORMATION (Con'd)

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

	2023 RMB'000	2022 RMB'000
SEGMENT ASSETS		
Central China	**33,747,731**	25,588,318
Northeast China	**6,665,705**	6,581,467
Total segment assets	**40,413,436**	32,169,785
Derivative financial instruments	**—**	495
Unallocated financial assets at FVTPL	**8,317**	10,070
Deferred tax assets	**104,811**	109,613
Unallocated other receivables	**44,726**	34,878
Unallocated cash, deposits and bank balances	**2,204**	18,751
Total assets	**40,573,494**	32,343,592
SEGMENT LIABILITIES		
Central China	**20,886,620**	12,660,769
Northeast China	**3,440,574**	2,604,290
Total segment liabilities	**24,327,194**	15,265,059
Deferred tax liabilities	**154,975**	159,218
Current tax liabilities	**270,485**	302,362
Unallocated other payables	**34,773**	26,859
Total liabilities	**24,787,427**	15,753,498

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 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.

6. SEGMENT INFORMATION (Con'd)

Other segment information

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

For the year ended 31 December 2023

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Value-added tax refund	97,451	14,756	112,207
Incentive subsidies from the government	34,535	12,140	46,675
Interest income	83,540	19,945	103,485
Impairment loss under expected credit loss model, net of reversal	8,639	(3,634)	5,005
Impairment of goodwill	(128,066)	(71,322)	(199,388)
Impairment of property, plant and equipment	(15,352)	—	(15,352)
Gain/(loss) on disposal of property, plant and equipment, net	7,379	(78)	7,301
Provision for environmental restoration	(21,607)	(5,261)	(26,868)
Depreciation and amortisation before capitalisation	(742,738)	(211,523)	(954,261)
Share of results of associates	(93,533)	—	(93,533)
Finance costs	(1,019,202)	(132,851)	(1,152,053)
Additions to property, plant and equipment	390,944	3,226	394,170
Additions to right-of-use assets	75,589	2,874	78,463
Additions to mining rights	156,516	10,254	166,770
Interests in associates	1,004,269	—	1,004,269

6. SEGMENT INFORMATION (Con'd)

Other segment information (Con'd)

For the year ended 31 December 2022

	Central China RMB'000	Northeast China RMB'000	Total RMB'000
Value-added tax refund	148,463	24,927	173,390
Incentive subsidies from the government	41,921	5,682	47,603
Interest income	83,235	11,210	94,445
Impairment loss under expected credit loss model, net of reversal	(6,806)	8,041	1,235
Impairment of goodwill	—	(16,624)	(16,624)
Impairment of property, plant and equipment	(4,103)	(23,273)	(27,376)
Loss on disposal of property, plant and equipment, net	(103)	(65)	(168)
Provision for environmental restoration	(24,948)	(12,174)	(37,122)
Depreciation and amortisation before capitalization	(973,115)	(224,066)	(1,197,181)
Share of results of associates	(34,544)	—	(34,544)
Finance costs	(927,111)	(106,277)	(1,033,388)
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
Interests in associates	1,086,802	—	1,086,802

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

No revenue from a single customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2023 and 2022.

7. OTHER INCOME

	2023 RMB'000	2022 RMB'000
Value-added tax refund (Note (i))	**112,207**	173,390
Incentive subsidies from the government (Note (ii))	**46,675**	47,603
Interest income on deposits placed with banks and Tianrui Group Finance Company Limited (Note (iii))	**97,418**	88,064
Interest income from loans to an associate	**6,067**	6,381
Software service income (Note (iv))	**24,619**	10,756
Income from sundry operations (Note (v))	**6,242**	174,373
Release of deferred income (Note 38)	**17,044**	17,044
Release of financial guarantee contract	**21,872**	13,020
Commission income	**57,015**	—
Others	**7,415**	3,903
	396,574	534,534

Notes:

(i) Value-added tax refund represents incentives approved by relevant government authorities as a result of utilising industrial waste as part of the production materials.

(ii) Amounts mainly represent subsidies granted by certain local governments for encouraging domestic business development and recognised upon receipt. There are no unfulfilled conditions or contingencies relating to these subsidies.

(iii) Amounts represent the interest income on the bank deposits and the deposits placed with Tianrui Group Finance Company Limited, which is the Group's associate, a non-bank financial institution subject to the supervision of China Banking Regulatory Commission and is authorized to provide a variety of financial services including deposit services.

(iv) Software service income is generated from provision of software development.

(v) The balances comprise income from sundry operations incidental to the main revenue-generating activities of the Group including sales of scrap and raw materials and so on.

8. IMPAIRMENT LOSS UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	2023 RMB'000	2022 RMB'000
Impairment losses reversed/(recognised on):		
Trade receivables — goods and services	**7,036**	4,359
Other receivables	**(2,031)**	(3,124)
	5,005	1,235

Details of impairment assessment are set out in Note 47.

9. OTHER GAINS AND LOSSES

	2023 RMB'000	2022 RMB'000
Foreign exchange gain/(loss), net	**17,939**	(141,642)
Impairment of goodwill	**(199,388)**	(16,624)
Impairment of property, plant and equipment	**(15,352)**	(27,376)
Gain/(loss) on disposal of property, plant and equipment, net	**7,301**	(168)
Others	**(8,140)**	(2,720)
	(197,640)	(188,530)

10. FINANCE COSTS

	2023 RMB'000	2022 RMB'000
Interest on:		
Bank and other borrowings	**803,937**	545,922
Bills discounted with recourse	**189,650**	242,746
Lease liabilities	**580**	1,115
Guaranteed notes	**—**	58,946
Long-term corporate bonds	**1,276**	4,189
Loans from an associate	**26,891**	43,624
Other financial liabilities	**113,709**	119,214
Installment of long-term payables	**16,010**	17,632
	1,152,053	1,033,388

11. INCOME TAX (CREDIT) EXPENSE

	2023 RMB'000	2022 RMB'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	**12,027**	121,893
Overprovision in prior years:	**(18,881)**	(11,454)
Deferred tax (Note 37)	**559**	38,159
	(6,295)	148,598

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

Certain subsidiaries operating in the PRC are eligible for preferential tax rate of 15% under relevant preferential tax policy for high-technology enterprises starting from financial year 2022 for a period of 3 years.

Under the Law of the PRC on EIT (the "EIT Law") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2022: 25%).

The tax charge for the year can be reconciled to (loss)/profit before tax per consolidated statement of profit or loss and other comprehensive income as follows.

	2023 RMB'000	2022 RMB'000
(Loss)/profit before tax	**(629,819)**	687,886
Tax at the applicable rate of 25% (2022: 25%)	**(157,454)**	171,972
Tax effect on:		
— Share of results of associates	**23,383**	8,636
— Income not subject to tax	**(12,731)**	(3,255)
— Expenses that are not deductible	**105,971**	25,119
— Tax effect of tax losses not recognised	**118,636**	21,615
— PRC tax concessions and preferential tax rates	**(68,667)**	(68,101)
— Deductible temporary differences not recognised	**3,448**	11,000
Overprovision in prior years	**(18,881)**	(11,454)
Decrease in opening deferred tax liability resulting from a decrease in applicable tax rate	**—**	(6,934)
Income tax (credit) expense for the year	**(6,295)**	148,598

12. (LOSS)/PROFIT FOR THE YEAR

(Loss)/profit for the year has been arrived at after charging:

	2023 RMB'000	2022 RMB'000
Depreciation of property, plant and equipment	**822,650**	1,057,329
Amortisation of right-of-use assets	**34,560**	48,692
Amortisation of mining rights, included in cost of sales	**97,051**	91,160
Total depreciation and amortisation	**954,261**	1,197,181
Less: Amounts capitalised in inventories	**(633,212)**	(745,280)
Amounts included in other expenses (Note)	**(46,159)**	(45,275)
	274,890	406,626
Employee benefits expense (including contributions to retirement benefit scheme, and directors' emoluments)	**562,259**	564,705
Less: Amounts capitalised to inventories	**(188,747)**	(188,287)
	373,512	376,418
Auditor's remuneration	**4,050**	4,050
Cost of inventories recognised as an expense	**6,259,487**	8,341,595
Research and development costs recognised as an expense (included in administrative expenses)	**356,339**	444,345

Note:

Depreciation and amortisation amounting to RMB46,159,000 (2022: RMB45,275,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

13. DIRECTORS' AND CHIEF EXECUTIVE'S EMOLUMENTS

The emoluments paid or payable to each of the directors of the Company were as follows:

	2023					2022				
	Fee RMB'000	Salaries and other allowances RMB'000	Performance related incentive payment RMB'000	Contributions to retirement benefit schemes RMB'000	Total emoluments RMB'000	Fee RMB'000	Salaries and other allowances RMB'000	Performance related incentive payment RMB'000	Contributions to retirement benefit schemes RMB'000	Total emoluments RMB'000
Executive directors										
Mr. Li Xuanyu	—	424	120	—	544	—	—	—	—	—
Mr. Xu Wuxue	—	365	230	12	607	—	360	120	12	492
Mr. Li Jiangming	—	544	392	12	948	—	536	387	12	935
Mr. Ding Jifeng	—	434	233	19	686	—	420	180	19	619
Ms. Li Fengluan	—	—	317	—	317	—	—	240	—	240
	—	1,767	1,292	43	3,102	—	1,316	927	43	2,286
Non-executive director										
Mr. Li Liufa	—	—	—	—	—	—	—	—	—	—
Independent non-executive directors										
Mr. Kong Xiangzhong	200	—	—	—	200	200	—	—	—	200
Mr. Wang Ping	217	—	—	—	217	214	—	—	—	214
Mr. Du Xiao Tang	217	—	—	—	217	214	—	—	—	214
	634	—	—	—	634	628	—	—	—	628
Total	634	1,767	1,292	43	3,736	628	1,316	927	43	2,914

Mr. Li Xuanyu was appointed as an executive director and the chairman of the board on 21 October 2022. Mr. Li Liufa ceased to be the chairman of the board on the same day.

The executive directors' emoluments shown above were mainly for their services in connection with the management of the affairs of the Group. The independent non-executive directors' emoluments shown above were mainly for their services as directors of the Company.

The emoluments of all directors were calculated based on their respective actual terms of office within the year.

The Company has not appointed a chief executive. Whereas the board of directors of the Company established an executive committee, which composed of five executive directors and top management members of the Group whose emoluments has been disclosed in Note 45.

There was no arrangement under which a director waived or agreed to waive any remuneration during the years ended 31 December 2023 and 2022.

14. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals included three (2022: two) directors (details of whose emoluments are set out in Note 13 above), the emoluments of the remaining two (2022: three) highest paid individuals for the year are as follows:

	2023 RMB'000	2022 RMB'000
Salaries and other allowances	**849**	1,140
Performance related incentive payment	**385**	409
Contributions to retirement benefit schemes	**34**	20
	1,268	1,569

The emoluments of each of the above employees in both years was within HK$1,000,000 (equivalent to approximately RMB906,200).

No emoluments were paid by the Group to the directors of the Company or the five highest paid individuals as an inducement to join or upon joining the Group or as compensation for loss of office during both years.

The performance related incentive payment is determined based on the employee's contribution to the operating results of the Group for each of the years ended 31 December 2023 and 2022.

15. (LOSS)/EARNINGS PER SHARE

The calculation of the basic and diluted (loss)/earnings per share attributable to owners of the Company is based on the following data:

	2023 RMB'000	2022 RMB'000
Earnings		
(Loss)/profit for the year attributable to owners of the Company	**(633,875)**	448,690

	2023 '000	2022 '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 the same as basic earnings per share for both 2023 and 2022 as there were no potential ordinary shares in issue for the Company for both years.

16. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2023, nor has any dividend been proposed since the end of the reporting period (2022: nil).

17. PROPERTY, PLANT AND EQUIPMENT

	Buildings RMB'000	Plant and machinery RMB'000	Motor vehicles RMB'000	Office equipment RMB'000	Stripping costs RMB'000	Construction in progress RMB'000	Total RMB'000
COST							
At 1 January 2022	8,894,403	8,556,972	197,045	145,632	1,911,953	434,107	20,140,112
Additions	5,186	123,560	3,788	1,620	39,180	523,460	696,794
Disposals	(9,318)	(31,818)	(9,560)	(1,131)	—	—	(51,827)
Transfer	321,061	221,456	78,554	845	—	(621,916)	—
At 31 December 2022	**9,211,332**	**8,870,170**	**269,827**	**146,966**	**1,951,133**	**335,651**	**20,785,079**
Additions	**7,974**	**45,107**	**12,983**	**1,357**	**15,822**	**310,927**	**394,170**
Disposals	**(10,806)**	**(50,229)**	**(35,638)**	**(2,751)**	**—**	**—**	**(99,424)**
Transfer	**150,289**	**113,676**	**14,123**	**—**	**—**	**(278,088)**	**—**
At 31 December 2023	**9,358,789**	**8,978,724**	**261,295**	**145,572**	**1,966,955**	**368,490**	**21,079,825**
ACCUMULATED DEPRECIATION							
At 1 January 2022	2,751,561	5,611,564	159,542	122,651	1,229,545	—	9,874,863
Provided for the year	284,157	487,130	51,881	4,954	229,207	—	1,057,329
Eliminated on disposals	(3,397)	(26,729)	(8,639)	(622)	—	—	(39,387)
At 31 December 2022	**3,032,321**	**6,071,965**	**202,784**	**126,983**	**1,458,752**	**—**	**10,892,805**
Provided for the year	**298,228**	**377,553**	**57,797**	**4,058**	**85,014**	**—**	**822,650**
Eliminated on disposals	**(1,794)**	**(20,638)**	**(29,222)**	**(1,861)**	**—**	**—**	**(53,515)**
At 31 December 2023	**3,328,755**	**6,428,880**	**231,359**	**129,180**	**1,543,766**	**—**	**11,661,940**
ACCUMULATED IMPAIRMENT							
At 31 December 2022	26,851	96,653	—	—	—	—	123,504
Recognised during the year	—	15,352	—	—	—	—	15,352
At 31 December 2023	**26,851**	**112,005**	**—**	**—**	**—**	**—**	**138,856**
NET CARRYING AMOUNTS							
At 31 December 2023	**6,003,183**	**2,437,839**	**29,936**	**16,392**	**423,189**	**368,490**	**9,279,029**
At 31 December 2022	6,152,160	2,701,552	67,043	19,983	492,381	335,651	9,768,770

17. PROPERTY, PLANT AND EQUIPMENT (Con'd)

The above items of property, plant and equipment, other than construction in progress and stripping costs, are depreciated over their useful lives, after taking into account the estimated residual value, on a straight-line basis:

Buildings	20 to 30 years
Plant and machinery	5 to 15 years
Motor vehicles	5 to 10 years
Office equipment	5 years

Impairment assessment

In the current year, the management are of the view that impairment indication existed and the property, plant and equipment, right-of-use assets and mining rights with a net aggregate carrying amount as at 31 December 2023 of RMB5,783,657,000, including property, plant and equipment of RMB4,146,223,000, right-of-use assets of RMB394,550,000 and mining rights of RMB1,242,884,000 may suffer impairment losses and accordingly conducted impairment tests thereon during the year.

The recorded amount of certain assets exceeds its recoverable amount determined by the approach of value in use (which was estimated by the management of the Group to be insignificant as those assets are expected to be idle most of the time in foreseeable future), and accordingly an impairment loss of RMB15,352,000 has been recognised against the carrying amount of property, plant and equipment during this year. Management believes that any reasonably possible change in any of these assumptions would not cause the change in the result as such property, plant and equipment has been fully impaired.

In addition, the Group estimates the recoverable amount of the CGUs to which the asset belongs when it is not possible to estimate the recoverable amount individually. Each CGU represents a subsidiary or group of subsidiaries. The calculation of recoverable amount uses cash flow projections based on financial budgets approved by the management of the subsidiary covering the 5 following years. Except for the CGUs of Haicheng The First Cement Company Limited and Haicheng Tianying Construction Stone Mining Company Limited ("Haicheng Tianying CGU") and Dalian Tianrui Jinhaian Cement Company Limited whose key assumptions used are further set out below, key assumptions used for other CGUs in the cash flow projections are: annual cement price growth rate ranging from 0% to 2%, no annual sales volume growth rate, gross profit rate from 7% to 35% and post-tax discount rate range of approximately 13%.

17. PROPERTY, PLANT AND EQUIPMENT (Con'd)

Impairment assessment (Con'd)

The key assumptions for Haicheng Tianying CGU are listed below:

Years	Annual cement price growth rate	Annual sales volume growth rate	Gross profit rate	Post-tax discount rate
1	RMB322.94/tonne for new product launched (PO52.5); 0% growth for other existing products	172%	30%	13%
2–5	2%	0%	30%	13%

The key assumptions for Dalian Tianrui Jinhaian Cement Company Limited are listed below:

Years	Annual cement price growth rate	Annual sales volume growth rate	Gross profit rate	Post-tax discount rate
1	0%	55%	30%	13%
2–5	2%	0%	30%	13%

Cash flows beyond the 5-year period are extrapolated using a steady expected growth rate from 0% to 2% per annum. These growth rates are based on the inflation rate and time value of money. As a result of the assessment, the recoverable amounts exceeded carrying values and no further impairment is recognised.

Details of the property, plant and equipment pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

The carrying amounts of buildings, which the application to obtain the ownership certificates is still in process, are approximately RMB325,108,000 as at 31 December 2023 (2022: RMB303,544,000).

18. LONG-TERM PREPAYMENTS AND RECEIVABLES

	2023 **RMB'000**	2022 RMB'000
Prepayments paid for acquiring property, plant and equipment, land use rights and mining rights	**35,010**	234,184
Deposits and advances paid for acquisition of businesses (Note (i))	**116,480**	116,480
Other long-term prepayments (Note (ii))	**—**	920,673
	151,490	1,271,337

Notes:

(i) The balance is the deposits paid to Pingdingshan Ruiping Coal & Electricity Company Limited (平頂山市瑞平煤電有限公司) for the proposed acquisition of the remaining 60% equity interest in an associate which is engaged in the manufacturing and sale of clinker in the PRC.

(ii) The Group had a practice to make advance payment to suppliers of which was expected to be utilised over one year as at 31 December 2022. Due to the development of coal trading business disclosed in Note 25, no advance payments to suppliers for more than one year as at 31 December 2023.

19. RIGHT-OF-USE ASSETS

	Land use rights RMB'000	**Leased properties** RMB'000	**Total** RMB'000
At 1 January 2022	996,614	17,348	1,013,962
Additions	24,869	3,305	28,174
Released to profit or loss	(37,607)	(11,085)	(48,692)
As at 31 December 2022	**983,876**	**9,568**	**993,444**
Additions	**75,589**	**2,874**	**78,463**
Released to profit or loss	**(29,354)**	**(5,206)**	**(34,560)**
As at 31 December 2023	**1,030,111**	**7,236**	**1,037,347**

Land use rights are amortised over the lease term of the respective leases. The remaining lease periods range from approximately 5 to 50 years (2022: 6 to 48 years). The carrying amounts of land use rights, of which certificates have yet to obtain amounted to approximately RMB17,606,000 as at 31 December 2023 (2022: RMB17,791,000).

19. RIGHT-OF-USE ASSETS (Con'd)

Leased properties including leased buildings and office premises are amortised over the lease term of the respective leases, of which are all fixed payment. The remaining lease periods range from approximately 1 to 21 years (2022: 1 to 22 years).

During the year, expense relating to short-term leases with lease terms within 12 months amounted to RMB2,446,000 (2022: RMB1,778,000).

Total cashflows for lease for the year ended 31 December 2023 was RMB80,766,000. These amounts were presented in operating, investing or financing cash flows separately.

Details of the land use rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

20. MINING RIGHTS

	RMB'000
COST	
At 1 January 2022	1,746,139
Additions	211,660
At 31 December 2022 (Note (i))	**1,957,799**
Additions (Note (ii))	**166,770**
At 31 December 2023 (Note (iii))	**2,124,569**
ACCUMULATED AMORTISATION	
At 1 January 2022	381,370
Amortisation during the year	91,160
At 31 December 2022	**472,530**
Amortisation during the year	**97,051**
At 31 December 2023	**569,581**
NET CARRYING AMOUNTS	
At 31 December 2023	**1,554,988**
At 31 December 2022	1,485,269

20. MINING RIGHTS (Con'd)

Notes:

(i) The Group acquired certain mining right by installments and as at 31 December 2022, the aggregate amount of RMB492,463,000 would be settled in the future.

(ii) During this year, the Group acquired the mining rights amounting to RMB166,770,000, among which RMB8,682,000 would be settled by instalments.

(iii) As at 31 December 2023, the aggregate amount of outstanding installments was RMB431,774,000. The aggregate amount of RMB358,073,000 was classified as other long-term payables and will be settled after one year, and RMB73,701,000 was classified as current liabilities and will be settled within one year (Note 30).

The above mining rights are related to limestone sites located in the PRC and are amortised over their respective estimated useful lives. The estimated useful lives of the mining rights range from 7 to 29 years (2022: 8 to 30 years).

Details of the mining rights pledged by the Group to secure the bank borrowings granted to the Group are set out in Note 41.

21. GOODWILL

	2023 **RMB'000**	2022 RMB'000
At 1 January	**284,233**	300,857
Impairment	**(199,388)**	(16,624)
At 31 December	**84,845**	284,233

21. GOODWILL (Con'd)

The carrying amounts of goodwill allocated to CGUs of the relevant subsidiaries, represent the lowest level within the Group at which goodwill is monitored for internal management purpose, as are set out below:

	2023 RMB'000	2022 RMB'000
Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) ("Yongan Cement")	—	126,293
Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement") (天瑞新登鄭州水泥有限公司)	**60,811**	60,811
Haicheng Tianying CGU	—	34,886
Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司), Liaoyang Tianrui Liaodong Cement Company Limited (遼陽天瑞遼東水泥有限公司) and Liaoyang Tianrui Liaota Mining Company Limited (遼陽天瑞遼塔礦業有限公司) ("Liaoyang Cement")	—	29,284
Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) ("Weihui Cement")	**10,502**	10,502
Liaoning Dayi Material Equipment Technology Co., Limited (遼寧大易材料裝備科技有限公司) ("Dayi Equipment") (Note (i))	**6,843**	6,843
Pingdingshan Tianrui Yaodian Cement Company Limited (平頂山天瑞姚電水泥有限公司)	**6,689**	6,689
Shenyang Tiger Cement Company Limited (瀋陽老虎水泥有限公司) ("Laohu Cement")	—	3,974
Panjin Jinrun Cement Company Limited (盤錦金潤水泥有限公司) ("Panjin Cement")	—	3,178
Zhengzhou Tianrui Cement Company Limited (鄭州天瑞水泥有限公司) ("Zhengzhou Cement")	—	1,773
	84,845	284,233

21. GOODWILL (Con'd)

Notes:

(i) For the purpose of impairment assessment, the recoverable amount of the goodwill arising from the acquisition of Dayi Equipment belongs to its CGU and is determined together with the license of Port operation (the "Port Operation License") with indefinite useful lives set out in Note 22.

(ii) The basis of the recoverable amounts of the CGUs and their key underlying assumptions are summarised below:

The recoverable amounts of the relevant CGUs have been determined based on a value in use calculation. That calculation uses cash flow projections based on financial budgets approved by the management of the respective CGUs covering 5 years.

The key assumptions used for Haicheng Tianying CGU are disclosed in Note 17.

The key assumptions used for other CGUs in the cash flow projections are:

(a) In the first year, the cash flow from the projections uses an annual cement price growth rate ranging from 0% to 2% (2022: 0% to 2%), no annual sales volume growth rate (2022: 0% to 2%), gross profit rate ranging from 10% to 30% (2022: 10% to 21%) and post-tax discount rate of approximately 13% (2022: 13%).

(b) For the second to fifth year, the cash flow from the projections uses an annual cement price growth rate of 2% (2022: 2%), no annual sales volume growth rate (2022: 1%), gross profit rate ranging from 10% to 30% (2022: 10% to 21%) and post-tax discount rate of approximately 13% (2022: 13%).

(c) Cash flows beyond the 5-year period are extrapolated using growth from 0% to 2% (2022: 2%) per annum.

These growth rates are based on the relevant industry growth forecasts and does not exceed the average long-term growth rate for the relevant industry. The above growth rates and other key assumptions for the value in use calculations in relation to the estimation of cash flows in the cash flow projections, including gross profit ratio and discount rate, are determined based on the CGUs' past performance and management expectations for the market development.

According to the impairment test, impairment loss of goodwill amounting to RMB199,388,000 in aggregate has been recognised for Yongan Cement, Haicheng Tianying Cement, Zhengzhou Cement, Laohu Cement, Liaoyang Cement and Panjin Cement for the year ended 31 December 2023. In 2022, the goodwill allocated to Xinyang Tianrui Cement Company Limited in the amount of RMB16,624,000 was fully impaired.

The directors of the Company believe that any reasonably possible change in any of these assumptions would not cause the carrying amounts of the remaining CGUs to exceed their recoverable amounts. If the annual cement price growth rate decreased by 3% while other parameters remain constant, or the gross profit rate decreased by 2% while other parameters remain constant, the recoverable amounts of each CGU would still exceed their carrying amounts.

22. OTHER INTANGIBLE ASSET

Other intangible asset represents the Port Operation License obtained by acquiring 100% interests of Dayi Equipment. The Port Operation License has a legal life of 3 years and is renewable every 3 years at minimal cost. The directors of the Company are of the opinion that the Group would renew the Port Operation License continuously and has the ability to do so.

As a result, the Port Operation License is considered by the directors of the Company as having an indefinite useful life because it is expected to contribute to net cash inflows as the operation of Dayi Equipment indefinitely. The Port Operation License will not be amortised until its useful life is determined to be finite. Instead, it will be tested for impairment annually and whenever there is an indication that it may be impaired. The Port Operation License is allocated to the CGU of Dayi Equipment for impairment test purpose, with further details set out in Note 21.

23. INTERESTS IN ASSOCIATES

	2023 **RMB'000**	2022 RMB'000
Cost of investments in associates	**1,278,791**	1,267,791
Share of post-acquisition losses and other comprehensive expenses	**(274,522)**	(180,989)
	1,004,269	1,086,802

23. INTERESTS IN ASSOCIATES (Con'd)

Details of the Group's associates as at the end of reporting period are as follows:

Name of companies	Place of establishment and operation	Proportion of ownership interests held by the Group		Proportion of voting rights held by the Group		Principal activities
		2023	2022	**2023**	2022	
Pingdingshan Ruiping Shilong Cement Company Limited* ("Pingdingshan") (平頂山瑞平石龍水泥有限公司)	The PRC	**40%**	40%	**40%**	40%	Manufacture and sale of clinker in the PRC
Tianrui Group Finance Company Limited* ("Tianrui Finance") (天瑞集團財務有限責任公司)	The PRC	**25.5%**	25.5%	**25.5%**	25.5%	Provision of financing and relevant services in the PRC
Xinan Zhonglian Wanji Cement Company Limited* ("Wanji Cement") (新安中聯萬基水泥有限公司)	The PRC	**49%**	49%	**49%**	49%	Manufacture and sale of cement and clinker in the PRC
Guangshan Yuanda Construction Technology Co. Ltd.* (光山縣遠大建築科技有限公司)	The PRC	**35%**	35%	**35%**	35%	Engineering management and engineering technical support services provided in the PRC

* The English name is translation of its Chinese name and is included for identification purpose only, and should not be regarded as its official English translation.

Summarised financial information in respect of each of the Group's associates is set out below. The summarised financial information below represents amounts shown in the associates' financial statements, adjusted for any differences in accounting policies and the effect of fair value adjustments on acquisition. All associates are accounted for using the equity method in these consolidated financial statements.

23. INTERESTS IN ASSOCIATES (Con'd)

Pingdingshan

	2023 RMB'000	2022 RMB'000
Current assets	**625,663**	1,464,894
Non-current assets	**205,276**	254,102
Current liabilities	**(195,194)**	(976,448)
Net assets	**635,745**	742,548
Revenue	**136,024**	533,079
Loss and total comprehensive expense for the year	**(106,803)**	(24,770)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Pingdingshan recognised in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Net assets	**635,745**	742,548
Proportion of the Group's ownership interest in the associate	**40%**	40%
Carrying amount of the Group's interest in the associate	**254,298**	297,019

23. INTERESTS IN ASSOCIATES (Con'd)

Tianrui Finance

	2023 RMB'000	2022 RMB'000
Current assets	**2,607,803**	3,045,999
Non-current assets	**171**	205
Current liabilities	**(1,449,786)**	(1,892,358)
Net assets	**1,158,188**	1,153,846
Revenue	**62,181**	99,425
Profit and total comprehensive income for the year	**4,342**	22,501

Reconciliation of the above summarised financial information to the carrying amount of the interests in Tianrui Finance recognised in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
Net assets	**1,158,188**	1,153,846
Proportion of the Group's ownership interest in the associate	**25.5%**	25.5%
Carrying amount of the Group's interest in the associate	**295,338**	294,230

23. INTERESTS IN ASSOCIATES (Con'd)

Wanji Cement

	2023 RMB'000	2022 RMB'000
Current assets	**550,983**	664,237
Non-current assets	**672,853**	675,736
Current liabilities	**(763,493)**	(797,528)
Net assets	**460,343**	542,445
Revenue	**188,049**	420,306
Loss and total comprehensive expense for the year	**(82,102)**	(39,202)

Reconciliation of the above summarised financial information to the carrying amount of the interests in Wanji Cement recognised in the consolidated financial statements:

	2023 RMB'000	2022 RMB'000
The carrying amount of net assets	**460,343**	542,445
Proportion of the Group's ownership interest in the associate	**49%**	49%
The Group's share of net assets of Wanji Cement	**225,568**	265,798
Goodwill arose from the acquisition of Wanji Cement	**92,373**	92,373
Fair value adjustment upon acquisition	**159,205**	159,205
Adjustment to depreciation and amortisation relating to the fair value adjustment	**(42,988)**	(31,823)
Carrying amount of the Group's interest in Wanji Cement	**434,158**	485,553

24. INVENTORIES

	2023 RMB'000	2022 RMB'000
Finished goods	**410,284**	454,525
Raw materials and consumables	**399,244**	564,572
Work-in-progress	**9,598**	23,865
	819,126	1,042,962

25. TRADE AND OTHER RECEIVABLES

	2023 RMB'000	2022 RMB'000
Trade receivables	**185,907**	159,599
Less: allowances for credit losses	**(43,202)**	(50,238)
	142,705	109,361
Other receivables	**555,479**	376,284
Less: allowances for credit losses	**(54,998)**	(52,967)
	500,481	323,317
Bills receivables	**3,811,454**	3,043,566
Discounted bills with recourse (Note (i))	**747,940**	114,446
Prepayments to suppliers (Note (ii))	**14,374,681**	6,538,800
Prepayments for various taxes	**28,895**	31,367
	19,606,156	10,160,857
Less: Prepayment to suppliers classified under non-current assets	**—**	(920,673)
	19,606,156	9,240,184

Notes:

(i) As at 31 December 2023, the bill receivables on a full recourse basis were transferred to banks physically. As the Group has not transferred the significant risks and rewards relating to these receivables, it continues to recognise the full carrying amounts of the receivables and has recognised the borrowings with secured (Note 34).

All bill receivables discounted by the Group are with a maturity period of less than one year.

(ii) Including in prepayments to suppliers as at 31 December 2023 is an amount of RMB14,290,446,000 which is mainly for the purchase of coals for trading purpose, new business in 2024. The directors of the Company expected the amount will be consumed within one year from the balance sheet date.

25. TRADE AND OTHER RECEIVABLES (Con'd)

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:

	2023 RMB'000	2022 RMB'000
Within 90 days	**18,465**	108,638
91–180 days	**—**	635
181–365 days	**57,069**	—
Over 1 year	**67,171**	88
Total	**142,705**	109,361

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

Details of impairment assessment of trade and other receivables are set out in Note 47.

26. AMOUNTS DUE FROM ASSOCIATES

	2023 RMB'000	2022 RMB'000
Advance payments to Pingdingshan for the purchase of goods (Note (i))	**513,658**	1,317,760
Amounts due from Wanji Cement (Note (ii))	**81,674**	128,207
	595,332	1,445,967
Less: Amounts shown under non-current assets (Note (i))	**—**	(428,632)
Amounts shown under current assets	**595,332**	1,017,335

Notes:

(i) As at 31 December 2023, no advance payments are expected to be utilised after one year. As at 31 December 2022, RMB300,425,000 are expected to be utilised after one year and are classified under non-current assets. The Group has a practice to make advance payments to Pingdingshan to maintain stable supply of clinker to produce cement.

(ii) The amount represents the loan to Wanji Cement which is unsecured, bears interest at 5% per annum and has no fixed terms of repayment.

27. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	2023 RMB'000	2022 RMB'000
PRC investment fund	**8,317**	10,070
Wealth management products	**4,768**	28,831
Total	**13,085**	38,901

28. PLEDGED BANK BALANCES

	2023 RMB'000	2022 RMB'000
Bank balances pledged for:		
Trade facilities (Note 41)	**4,526,492**	3,041,580
Bank borrowings granted to the Group (Note 41)	**591,894**	1,505,343
Obligation to restoration of limestone mines (Note 41)	**15,789**	26,895
	5,134,175	4,573,818
Balances classified under current assets	**(5,118,386)**	(4,546,923)
Balances classified under non-current assets	**15,789**	26,895

The pledged bank balances carry market interest rate ranging from 0.20% to 1.90% per annum as at 31 December 2023 (2022: 0.25% to 1.95% per annum).

29. CASH, DEPOSITS AND BANK BALANCES

	2023 RMB'000	2022 RMB'000
Cash	**433**	408
Bank balances	**125,374**	601,313
Deposits placed with Tianrui Finance, a non-bank financial institution	**1,049,034**	386,076
	1,174,841	987,797

As at 31 December 2023, bank balances placed in bank carry interest at market rates ranging from 0.20% to 1.65% (2022: 0.25% to 1.65%) per annum.

The deposits placed with Tianrui Finance are unsecured, repayable on demand, and carry interest at interest rates ranging from 0.45% to 1.35% (2022: 0.46% to 1.95%) per annum as at 31 December 2023.

29. CASH, DEPOSITS AND BANK BALANCES (Con'd)

The Group's bank balances that are denominated in currencies other than the functional currency of the relevant group entities are set out below:

	2023 RMB'000	2022 RMB'000
United States dollars ("US$")	**137**	107
Hong Kong Dollars ("HK$")	**529**	5,203
	666	5,310

30. TRADE AND OTHER PAYABLES

	2023 RMB'000	2022 RMB'000
Trade payables	**1,075,859**	993,114
Bills payables	**3,189,462**	2,668,575
Construction costs payables	**257,992**	441,651
Other tax payables	**34,971**	130,665
Other long-term payables — current portion (Note 20)	**73,701**	69,370
Other payables and accrued expenses	**75,433**	99,961
	4,707,418	4,403,336

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

	2023 RMB'000	2022 RMB'000
Within 90 days	**632,757**	725,347
91–180 days	**68,005**	62,567
181–365 days	**88,984**	85,577
Over 1 year	**286,113**	119,623
Total	**1,075,859**	993,114

The maturity date of the Group's bills payables is ranging from 1 month to 6 months.

31. CONTRACT LIABILITIES

	2023 RMB'000	2022 RMB'000
Receipts in advance from customers for the sales of cement	**444,437**	571,383

The revenue recognised during the year ended 31 December 2023 relates to carried-forward contract liabilities in relation to sales of goods as at 1 January 2023 amounted to RMB571,383,000 (2022: RMB526,892,000).

32. OTHER FINANCIAL LIABILITIES

	2023 RMB'000	2022 RMB'000
Other financial liabilities due within one year	**256,200**	1,175,772
Other financial liabilities due after one year	**609,890**	—
Total	**866,090**	1,175,772

Notes:

(i) On 29 December 2018, the Group and CCB Financial Asset Investment Co., Ltd ("CCB Investment") entered into capital injection agreements, share repurchase agreements and supplementary agreements (collectively the "CCB Investment Agreements") pursuant to which CCB Investment conditionally agreed to inject capital into certain wholly-owned subsidiaries of the Company. The capital injection was completed in 2019 and the aggregate amount of capital injection is RMB905,000,000 which involved three wholly-owned subsidiaries (the "Subsidiaries").

According to the CCB Investment Agreements, the Group is required to repurchase the shares of the Subsidiaries held by CCB Investment at the investment amount plus a premium as stipulated in the CCB Investment Agreements after 4 years due on 31 December 2022 should the Subsidiaries fail to meet the minimum return requirement for two consecutive financial years. In addition, Tianrui Group has also entered into a profit guarantee agreement with CCB Investment to guarantee a minimum annual return rate of 9% on the capital injected. Up to 31 December 2022, as the Subsidiaries have failed to meet the minimum return requirement for two consecutive fiscal years, and accordingly, the relevant balance amounting to RMB970,522,000 as at 31 December 2022 had been reclassified to current liabilities.

Based on the supplementary agreement signed in 2023, the remaining balance of the above payments has been extended to 30 June 2025. The relevant balance amounting to RMB661,590,000 as at 31 December 2023 is included in other financial liabilities with RMB251,700,000 under current liabilities and RMB409,890,000 under non-current liabilities.

32. OTHER FINANCIAL LIABILITIES (Con'd)

Notes: (Con'd)

(ii) On 20 August 2020, the Group and Henan Green Mining Fund (the "Henan Fund") entered into a capital injection agreement and a supplementary agreement (collectively "Henan Fund Agreements") pursuant to which Henan Fund has agreed to inject RMB200,000,000 capital into a subsidiary of the Group, which represents 26.85% equity interests in that subsidiary upon the completion of the capital injection. According to the Henan Fund Agreements,

(a) Henan Fund entitles to a fixed return for the capital injected and the Group will repurchase the said equity interests from Henan Fund after three years due on 20 August 2023.

(b) The Group is required to repurchase the shares of that subsidiary held by the Henan Fund at the investment amount plus the minimum return as stipulated in the Henan Fund Agreements should the subsidiary failed to meet the minimum return requirement for two consecutive fiscal years.

The relevant balance amounted to RMB205,250,000 as at 31 December 2022 was classified as a current liability.

A supplementary agreement has been entered into on 7 July 2023 to extend the date of the remaining payments to 6 September 2025. The relevant balance amounting to RMB204,500,000 as at 31 December 2023 is included in other financial liabilities with RMB4,500,000 under current liabilities and RMB200,000,000 under non-current liabilities.

Despite the CCB Agreements and the Henan Fund Agreements involve legal form of capital injections, the Group accounted for the above transactions as borrowings in accordance with the substance of the arrangements. These borrowings are classified as other financial liabilities and measured at amortised cost in the Group's consolidated financial statements. The above borrowings bear effective interest rates ranging from 5.51% to 13.30% per annum (2022: 7.88% to 10.10% per annum).

33. SHORT-TERM LOANS FROM AN ASSOCIATE

	2023 **RMB'000**	2022 RMB'000
Short-term loans from Tianrui Finance	**1,120,000**	870,000

The loans from Tianrui Finance is unsecured, bears interest rate of 2.73% to 2.77% per annum (2022: 2.74% to 3.85% per annum).

34. BORROWINGS

	2023 RMB'000	2022 RMB'000
Bank borrowings:		
Fixed-rate	**6,677,762**	5,436,027
Variable-rate	**1,512,955**	879,000
Other borrowings from non-bank financial institutions:		
Fixed-rate	**2,717,567**	1,030,809
Variable-rate	**492,420**	87,172
	11,400,704	7,433,008
Bank borrowings relating to bills discounted with recourse (Note)	**5,191,790**	114,446
	16,592,494	7,547,454
Secured	**9,196,988**	5,938,659
Unsecured	**7,395,506**	1,608,795
	16,592,494	7,547,454

The ranges of effective interest rates (which are also equal to the contracted interest rates) on the Group's borrowings are as follows:

	2023	2022
Effective interest rate per annum:		
Fixed-rate borrowings	**2.76% to 16.75%**	2.74% to 12.00%
Variable-rate borrowings	**4.35% to 5.30%**	4.35% to 5.30%

The Group's variable-rate borrowings carry interest at the Loan Prime Rate ("LPR") published by PRC National Interbank Funding Center.

Notes:

(i) The Group discounted bills receivables with recourse in an aggregate amount of RMB747,940,000 to banks for short-term financing.

(ii) As at 31 December 2023, the bank acceptance notes on a full recourse basis amounting of RMB4,443,850,000 were discounted to obtain borrowings from banks. The deposits pledged for the bank acceptance notes amounted to RMB3,040,341,000. Most of the bank acceptance notes were issued among the subsidiaries of the Group for intra-group transactions.

34. BORROWINGS (Con'd)

The discounted bills carried fixed interest rates ranging from 1.00% to 3.10% per annum (2022: 1.30% to 3.10% per annum).

The borrowings are repayable based on scheduled repayment dates set out in loan agreements as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**11,969,069**	6,150,439
More than one year, but not exceeding two years	**2,392,867**	613,413
More than two years, but not exceeding five years	**2,230,558**	783,602
	16,592,494	7,547,454
Less: Amounts due within one year shown under current liabilities	**(11,969,069)**	(6,150,439)
Amounts due after one year	**4,623,425**	1,397,015

The Group's borrowings that are denominated in currencies other than functional currencies of the relevant group entities are set out below:

	2023 '000	2022 '000
US$	**19,570**	59,570
HK$	**440,000**	540,000

Details of assets pledged to secure bank and other borrowings are set out in Note 41.

Certain of the borrowings are guaranteed by related parties as set out in Note 45.

35. FINANCIAL GUARANTEE CONTRACTS

	2023 RMB'000	2022 RMB'000
Financial guarantee contracts	**44,428**	15,381

As at 31 December 2023, outstanding financial guarantees in respect of bank facilities provided by the Group to the related parties are as follows:

	2023		2022	
	Unutilised financial guarantees RMB'000	**Utilised and drawn down facilities RMB'000**	Unutilised financial guarantees RMB'000	Utilised and drawn down facilities RMB'000
Tianrui Group	**—**	**350,000**	—	50,000
Ruzhou Coking (Note (i))	**—**	**460,000**	140,000	140,000
Tianrui Travel (Note (ii))	**702,000**	**190,000**	629,156	432,844
Tianrui Foundry (Note (iii))	**50,000**	**140,000**	60,000	170,000
Yaoshan Tourism (Note (iv))	**—**	**10,000**	—	10,000
Total	**752,000**	**1,150,000**	829,156	802,844

Notes:

(i) Ruzhou Tianrui Coking Company Limited (汝州天瑞煤焦化有限公司) referred to as "Ruzhou Coking", a subsidiary of Tianrui Group.

(ii) Tianrui Group Travel Company Limited (天瑞旅遊集團股份有限公司) referred to as "Tianrui Travel", a subsidiary of Tianrui Group.

(iii) Tianrui Foundry Company Limited (天瑞集團鑄造有限公司) referred to as "Tianrui Foundry", a subsidiary of Tianrui Group.

(iv) Henan Tianrui Yaoshan Tourism Company Limited (河南天瑞堯山旅遊有限公司) referred to as "Yaoshan Tourism", a subsidiary of Tianrui Group.

The total fair value of financial guarantee contracts at initial recognition issued during the current year was RMB50,920,000 (2022: RMB17,472,000), which was calculated using the guarantee fee rate estimated by reference to the probability of default of the debtors and considered as deemed distribution to the immediate holding company and debited to other reserves on the consolidated statement of changes in equity. With reference to the repayment of the underlying bank borrowings, the fair value of the corresponding financial liabilities is transferred to other income (Note 7).

36. LEASE LIABILITIES

	2023 RMB'000	2022 RMB'000
Lease liabilities payable:		
Within one year	**2,180**	3,579
Within a period of more than one year but not exceeding two years	**2,128**	1,134
Within a period of more than two year but not exceeding five years	**898**	1,237
Within a period of more than five years	**2,638**	3,247
	7,844	9,197
Less: Amounts due for settlement with 12 months shown under current liabilities	**(2,180)**	(3,579)
Amounts due for settlement after 12 months shown under non-current liabilities	**5,664**	5,618

The weighted average incremental borrowing rates applied to lease liabilities is 6.09% (2022: 6.45%) per annum.

37. DEFERRED TAXATION

The following are the major deferred tax assets/(liabilities) recognised by the Group, and the movements thereon, during the year:

	Impairment of assets RMB'000	Fair value adjustments arising from acquisition of subsidiaries RMB'000	Tax losses RMB'000	Withholding tax RMB'000	Deferred income RMB'000	Unrealised profits on intra-group transactions RMB'000	Accelerated tax depreciation RMB'000	Others RMB'000	Total RMB'000
At 1 January 2022	30,667	(56,659)	46,862	(121,234)	4,783	54,790	(4,467)	33,812	(11,446)
(Charged)/credited to profit or loss during the year	(30)	8,461	(41,177)	—	(601)	(10,461)	101	5,548	(38,159)
At 31 December 2022	**30,637**	**(48,198)**	**5,685**	**(121,234)**	**4,182**	**44,329**	**(4,366)**	**39,360**	**(49,605)**
(Charged)/credited to profit or loss during the year	**(2,433)**	**1,257**	**(3,253)**	**—**	**(909)**	**(4,451)**	**560**	**8,670**	**(559)**
At 31 December 2023	**28,204**	**(46,941)**	**2,432**	**(121,234)**	**3,273**	**39,878**	**(3,806)**	**48,030**	**(50,164)**

37. DEFERRED TAXATION (Con'd)

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	2023 RMB'000	2022 RMB'000
Deferred tax assets	**104,811**	109,613
Deferred tax liabilities	**(154,975)**	(159,218)
	(50,164)	(49,605)

At 31 December 2023, the Group had unused tax losses of approximately RMB827,606,000 (2022: RMB340,245,000) available for offset against future profits. Deferred tax asset has been recognised in respect of such losses amounting to RMB16,213,000 (2022: RMB22,740,000).

No deferred tax asset has been recognised in respect of the tax losses of RMB811,393,000 (2022: remaining tax losses of RMB317,505,000) due to the unpredictability of future profit streams in respective subsidiaries. The unrecognised tax losses will be expired as follows:

	2023 RMB'000	2022 RMB'000
Year		
2023	—	54,455
2024	**38,365**	40,040
2025	**22,720**	22,720
2026	**23,594**	21,153
2027	**169,651**	179,137
2028	**557,063**	—
	811,393	317,505

In addition, the Group had deductible temporary differences in respect of impairment of financial assets, property, plant and equipment of RMB174,023,000 has not been recognised as at 31 December 2023 (2022: RMB158,977,000), as it is not probable that taxable profit will be available in foreseeable future against which to utilise these deductible temporary.

Under the PRC EIT Law, withholding tax is imposed on dividends declared in respect of profits earned by PRC subsidiaries from 1 January 2008 onwards. Deferred taxation has not been provided for in the consolidated financial statements in respect of temporary differences attributable to accumulated profits of the PRC subsidiaries amounting to RMB11,288,283,000 as at 31 December 2023 (2022: RMB16,179,429,000) as the Group is able to control the timing of the reversal of the temporary differences and it is probable that the temporary differences will not be reversed in the foreseeable future.

38. DEFERRED INCOME

	2023 **RMB'000**	2022 RMB'000
Assets-related government grants	**175,372**	192,416

The assets-related government grants represent the subsidies received by the Group for the purpose of acquiring land use rights to build new production lines in the PRC and acquiring qualified energy conservation equipment.

39. PROVISION FOR ENVIRONMENTAL RESTORATION

	RMB'000
At 1 January 2022	43,422
Provision for the year	37,122
Utilisation of provision	(26,136)
At 31 December 2022	**54,408**
Provision for the year	**26,868**
Utilisation of provision	**(35,465)**
At 31 December 2023	**45,811**

According to the regulation issued in 2009 by the Ministry of Land and Resources (國土資源部), the user of a mine should undertake the obligation of environmental restoration. After taking into account the quantity of limestone mined and the timing of mine restoration in future, a provision has been recognised for the costs expected to be incurred for the restoration of the Group's limestone mines.

40. SHARE CAPITAL

The Company

	Number of shares	Share capital	
		HK$'000	RMB'000
Authorised shares			
Ordinary share of HK$0.01 each:			
As at 1 January 2022,			
31 December 2022 and 2023	10,000,000,000	100,000	81,070
Issued shares			
As at 1 January 2022,			
31 December 2022 and 2023	2,938,281,647	29,383	24,183

41. PLEDGE OF ASSETS

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

	2023	2022
	RMB'000	RMB'000
Property, plant and equipment	**2,559,229**	2,660,601
Right-of-use assets	**403,856**	244,217
Mining rights	**475,011**	174,941
Pledged bank balances	**591,894**	767,804
	4,029,990	3,847,563

In addition, as at 31 December 2023,

(a) bank balances amounting to RMB4,526,492,000 (2022: RMB3,041,580,000) were pledged to banks for issuing trade facilities such as bills payables and letters of credit; and

(b) deposits amounting to RMB15,789,000 (2022: RMB26,895,000) were pledged to bank for restoration of limestone mines.

Bills receivables amounting to RMB747,940,000 (2022: RMB116,013,000) as at 31 December 2023 were discounted to banks to obtain borrowings. Details are set out in Notes 34.

41. PLEDGE OF ASSETS (Con'd)

Apart from the assets pledged set out above, the table below gives information about the Group's pledged of its equity interests in certain subsidiaries to secure loans granted to the Group.

Loans	**2023 (RMB'000)**	2022 (RMB'000)	**Subsidiaries**
The short-term loans	**742,200**	340,000	Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司); Weihui Cement; Tianrui Group Yuzhou Cement Company Limited (天瑞集團禹州水泥有限公司); Liaoyang Tianrui Cement Company Limited (遼陽天瑞水泥有限公司); Liaoyang Tianrui Liaota Cement Company Limited (遼陽天瑞遼塔水泥有限公司).
The long-term loans	**1,800,413**	487,000	Yingkou Tianrui Group Cement Company Limited (營口天瑞水泥有限公司); Dalian Tianrui Jinhaian Cement Company Limited (大連天瑞金海岸水泥有限公司); Xinyang Cement; Yongan Cement.

42. CAPITAL COMMITMENTS

	2023 RMB'000	2022 RMB'000
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided for in the consolidated financial statements	**529,301**	527,076

43. OPERATING LEASES

The Group as lessor

Certain of the Group's plant and machinery are held for rental purposes which have committed lessees for next 3 years. As at 31 December 2023, undiscounted lease payments receivable on leases of these plant and machinery are as follows:

	2023 RMB'000	2022 RMB'000
Within one year	**2,453**	4,406
In the second year	**37**	3,291
In the third year	**68**	26
	2,558	7,723

44. RETIREMENT BENEFIT SCHEMES

The Group operates a Mandatory Provident Fund Scheme (the "MPF Scheme") for all qualifying employees in Hong Kong. Under the scheme, the employer and its employees are each required to make contribution to the plan at 5% of the employees' relevant income, subject to a cap of monthly relevant income of HK$30,000. The assets of the schemes are held separately from those of the Group, in funds under the control of trustees. The Group contributes 5% of relevant payroll costs to the Scheme, which contribution is matched by employees.

The PRC employees of the Group are members of state-managed retirement benefit schemes operated by the local governments. The Group is required to contribute a specified percentage of their payroll costs to the retirement benefit schemes to fund the benefits. The retirement benefit costs charged to profit or loss for the year ended 31 December 2023 amounting to RMB49,316,000 (2022: RMB45,764,000).

During the years ended 31 December 2023 and 2022, the Group had no forfeited contributions under those schemes which may be used by the Group to reduce the existing level of contributions. There were also no forfeited contributions available at 31 December 2023 and 2022 under the schemes which may be used by the Group to reduce the contribution payable in future years.

45. RELATED PARTY DISCLOSURES

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

Relationships	**Nature of balances**	**2023 RMB'000**	2022 RMB'000
Associates	Borrowings from an associate	**1,120,000**	870,000
	Deposits placed with an associate	**1,049,034**	850,948

Relationships	**Nature of transactions**	**2023 RMB'000**	2022 RMB'000
Associates	Purchase of goods	**136,024**	533,079
	Interest income from associates	**8,313**	9,020
	Interest expenses to an associate	**26,891**	43,624
Holding company	Office rental expenses	**1,800**	1,800
	Purchase of services	**35,630**	—
Fellow subsidiaries	Purchase of raw materials and consumables	**200,086**	7,268
	Purchase of services	**1,009**	—
	Sales of raw materials and consumables	**11,273**	—
	Sales of services	**3,020**	—

The above transactions were carried out in accordance with the terms and conditions mutually agreed by the parties involved.

In addition, the deposits placed with an associate amounting to RMB1,049,034,000 as at 31 December 2023 are disclosed in Note 29. The Group provided financial guarantee to banks in respect of bank facilities of certain related parties. Details of the above guarantees are disclosed in Note 35.

Subsequent to 31 December 2023, the directors of the Company identified that starting from 11 October 2016, there were cash movements between Henan Shengye Cement Sales Co. ("Henan Shengye"). The settlement centre is a department of Tianrui Group, opens the bank accounts in the name of Tianrui Group, and records the cash movements among Tianrui Group and its subsidiaries. At 31 December 2023, there are no amounts due from or due to Tianrui Group.

45. RELATED PARTY DISCLOSURES (Con'd)

The cash flows movements between Henan Shengye and Tianrui Group for the years ended 31 December 2022 and 2023 are as follows:

	2023 **RMB'000**	2022 RMB'000 (restated)
Classified as operating activities:		
(Increase)/decrease in trade and other receivables	**(2,822,310)**	2,777,755
Cash generated from operations	**(2,822,310)**	2,777,755
Net cash generated from operating activities	**(2,822,310)**	2,777,755
Classified as investing activities:		
Cash paid to Tianrui Group	**(11,072,960)**	(11,674,398)
Cash received from Tianrui Group	**13,895,270**	8,896,643
Net cash generated from/(used in) investing activities	**2,822,310**	(2,777,755)
Classified as financing activities:		
Cash received from Tianrui Group	**—**	1,101,826
Cash paid to Tianrui Group	**—**	(1,101,826)
Net cash generated from/(used in) financing activities	**—**	—

Remuneration to key management personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the Group, directly and indirectly, including the directors of the Company and top management. The key management personnel compensations during the year are as follows:

	2023 **RMB'000**	2022 RMB'000
Salaries and other allowances	**4,362**	4,750
Retirement benefit schemes contributions	**87**	67
	4,449	4,817

45. RELATED PARTY DISCLOSURES (Con'd)

Financial guarantees

Except the financial guarantees provided by the Group to related parties detailed elsewhere in the consolidated financial statements, the Group had the following material financial guarantees with related parties during the year:

Guarantees provided by related parties

Guarantors	Type of Guarantee	**2023 RMB'000**	2022 RMB'000
Tianrui Group, Mr. Li Liufa and Ms. Li Fengluan	Jointly	**5,638,187**	3,735,147
Li Family	Jointly	**375,000**	—
Tianrui Group and Li Family	Jointly	**2,029,408**	—
Mr. Li Liufa and Ms. Li Fengluan	Jointly	**903,696**	679,162
Tianrui Group	Jointly	**236,400**	871,304
Tianrui Group and a member of Li Family	Jointly	**713,364**	—

Notes:

(i) Li Family includes Mr. Li Liufa, his spouse Ms. Li Fengluan and their son, Li, Xuanyu.

(ii) In addition to the guarantees provided by the related parties listed above, Yu Kuo Company Limited (煜闊有限公司) has pledged its shares in the Company as collaterals for credit facilities granted to the Group.

46. CAPITAL RISK MANAGEMENT

The directors of the Company manage its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debts and equity balance. The Group's overall strategy remains unchanged from the prior year.

The capital structure of the Group consists of debts, which includes borrowings, loan from an associate, other financial liabilities and equity attributable to owners of the Company, comprising share capital and reserves and retained earnings.

The directors of the Company review the capital structure on a yearly basis. As part of this review, the directors of the Company consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debts.

47. FINANCIAL INSTRUMENTS

47.1 Categories of financial instruments

	2023 RMB'000	2022 RMB'000
Financial assets:		
Financial assets at amortised cost	**11,593,270**	12,174,498
Financial assets at FVTPL	**13,085**	38,901
Derivative financial instruments	**—**	495
Financial liabilities:		
Amortised cost	**23,609,104**	14,288,469
Financial guarantee contracts	**44,428**	15,381

47.2 Financial risk management objectives and policies

The Group's major financial assets and liabilities include trade and other receivables, deposits placed with Tianrui Finance, amount due from associates, pledged bank balances, cash, deposits and bank balances, derivative financial instruments, financial assets at FVTPL, trade and other payables, borrowings, other financial liabilities, loans from an associate and other long-term payables. Details of these financial instruments are disclosed in the respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk and other price risk), credit risk and liquidity risk. The policies on how to mitigate these risks are set out below. The directors of the Company manage and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

Market risk

Interest rate risk

The Group is exposed to fair value interest rate risk in relation to short-term loans from an associate, fixed-rate borrowings, other financial liabilities and other long-term payable. Besides, the Group is also exposed to cash flow interest rate risk in relation to restricted and pledged bank balances, amounts due from associates, loan from an associate, deposits placed with Tianrui Finance, bank balances and variable-rate borrowings.

The Group closely monitors the interest rate trend and aims to lower the effective interest rate.

The Group's cash flow interest rate risk is mainly concentrated on the fluctuation of LPR published by PRC National Interbank Funding Center.

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Market risk (Con'd)

Interest rate risk (Con'd)

The sensitivity analysis below has been determined based on the exposure to interest rates for non-derivative instruments at the end of the reporting period. No sensitivity analysis has been presented for bank balances as the directors of the Company consider that the fluctuation in interest rates on bank balances is minimal. For variable-rate borrowings, the analysis is prepared assuming the amount of liability outstanding at the end of the reporting period was outstanding for the whole year. A 25 basis points (2022: 25 basis points) increase or decrease in LPR, as appropriate, represents the directors of the Company's assessment of the reasonably possible change in interest rates.

If interest rates had been 25 basis points (2022: 25 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit(loss) for the year would be decreased or increased by approximately RMB2,699,000 (2022: RMB1,565,000) and the amount of borrowing costs capitalised in respect of the Group's qualifying assets would be increased or decreased by approximately RMB184,000 for the year ended 31 December 2023 (2022: RMB110,000).

Currency risk

The Group has certain bank balances and other receivables and borrowings denominated in HK$ or US$, hence exposures to exchange rate fluctuation arises. The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure. However, directors of the Company monitor the HK$, which is pegged with US$ and US$ exposure closely and will consider hedging significant currency exposure should the need arise.

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Market risk (Con'd)

Currency risk (Con'd)

The carrying amount of the Group's foreign currency denominated monetary assets and liabilities at the end of the year are as follows:

	2023 RMB'000	2022 RMB'000
Assets:		
HK$ denominated bank balances and other receivables	**11,769**	15,509
US$ denominated bank balances	**969**	748
	12,738	16,257
Liabilities:		
HK$ denominated borrowings and long-term corporate bonds	**398,737**	511,844
US$ denominated borrowings	**138,608**	414,881
	537,345	926,725

The Group is mainly exposed to the effects of fluctuation in RMB against HK$ and US$. The following table details the Group's sensitivity to a 5% (2022: 5%) increase or decrease in RMB against HK$ and US$. The percentage represents directors of the Company's assessment of the reasonably possible change in foreign exchange rate. The sensitivity analysis includes only outstanding foreign currency denominated monetary items, and adjust their translation at the end of the reporting period for a 5% (2022: 5%) change in foreign currency rate. A positive number below indicates an increase in post-tax profit where RMB strengthens 5% (2022: 5%) against HK$ and US$. For a 5% (2022: 5%) weakening of RMB against HK$ and US$, there would be an equal and opposite impact on the profit and the balances below would be negative.

	2023 RMB'000	2022 RMB'000
Decrease in post-tax loss (2022: increase in post-tax profit)	**19,673**	34,142

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Market risk (Con'd)

Other price risk

The Group is exposed to price risk through its derivative financial instruments and financial assets at FVTPL. The Group monitors the price risk and will consider hedging the risk exposure should the need arise.

No sensitivity analysis has been presented as the directors of the Company consider that the impact on profit or loss for the current year is not significant.

Credit risk and impairment assessment

As at 31 December 2023, other than those financial assets whose carrying amounts best represent the maximum exposure to credit risk, the Group's maximum exposure to credit risk which will cause a financial loss to the Group arising from the amount of contingent liabilities in relation to financial guarantees provided by the Group as disclosed in Note 35.

In order to minimise the credit risk arising from the respective recognised financial assets as stated in the consolidated statement of financial position, the directors of the Group have delegated a team responsible for determination of credit limits, credit approvals and other monitoring procedures to ensure that follow-up action is taken to recover overdue debts.

For the amounts due from associates, the Group has significant influence over its associates and their financial positions are regularly monitored in order to minimise the credit risk associated with receivables due from associates. The credit risk in relation to the deposits placed with Tianrui Finance, an associate, is also limited because Tianrui Finance is a non-bank financial institution with high credit rating and is subject to the regulation and supervision of China Banking Regulatory Commission.

In order to minimise the credit risk arising from the contingent liabilities in relation to financial guarantee issued by the Group, a special committee has been established by the Group to review and approve the guarantee to be issued.

The credit risk on restricted and pledged bank balances and bank balances is limited because the counterparties are reputable banks with high credit ratings assigned by international credit-rating agencies.

Apart from the deposits placed with an associate, the Group does not have any significant concentration of credit risk, with exposure spread over a large number of counterparties and customers.

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Credit risk and impairment assessment (Con'd)

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables	Other financial assets/other items
Low risk	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL — not credit-impaired	12-month ECL
Doubtful	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL — not credit-impaired	Lifetime ECL — not credit-impaired
Loss	There is evidence indicating the asset is credit-impaired	Lifetime ECL — credit-impaired	Lifetime ECL — credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Credit risk and impairment assessment (Con'd)

The tables below detail the credit risk exposures of the Group's financial assets and financial guarantee contracts, which are subject to ECL assessment:

	Internal credit rating	12-month or lifetime ECL	Gross carrying amount 2023 RMB'000	Gross carrying amount 2022 RMB'000
Financial assets at amortised cost				
Trade receivables (Note 25) (Note (a))	Low	Lifetime ECL — Not credit-impaired	**137,534**	109,642
	Doubtful	Lifetime ECL — Not credit-impaired	**5,817**	1,351
	Loss	Lifetime ECL — Credit-impaired	**42,556**	48,606
			185,907	159,599
Amounts due from associates (Note 26)	Low	12-month ECL	**81,674**	128,207
Pledged bank balances (Note 28)	Low	12-month ECL	**5,134,175**	4,573,818
Bank balances (Note 29)	Low	12-month ECL	**125,374**	601,313
Deposits placed with an associate (Note 29)	Low	12-month ECL	**1,049,034**	386,076
Other receivables (Note 25)	Low	12-month ECL	**226,098**	306,726
	Doubtful	Lifetime ECL — Not credit-impaired	**197,469**	30,987
	Loss	Lifetime ECL — Credit-impaired	**131,912**	38,571
			555,479	376,284
Bills receivables (Note 25)	Low	12-month ECL	**4,559,394**	3,043,566
Other items				
Financial guarantee contracts (Note 35) (Note (b))	Low	12-month ECL	**1,150,000**	802,844

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Credit risk and impairment assessment (Con'd)

Notes:

(a) For trade receivables, the Group has applied the simplified approach in IFRS 9 to measure the loss allowance at lifetime ECL.

(b) For financial guarantee contracts, the gross carrying amount represents the utilised banking facilities that the Group has guaranteed under the relevant contract.

The exposure to credit risk, trade receivables are assessed based on provision matrix as at 31 December 2023 within lifetime ECL. The Group uses debtors' aging to assess the impairment for its customers in relation to its operation because these customers consist of a large number of small customers with common risk characteristics that are representative of the customer' abilities to pay all amounts due in accordance with the contractual terms. The estimated loss rates estimated are based on historical observed default rates over the expected life of the debtors and forward-looking information that is available without undue cost or effort.

The Group writes off a receivable when there is information indicating that the debtor is in severe financial difficulty and there is no realistic prospect of recovery, e.g. when the debtor has been placed under liquidation or has entered into bankruptcy proceedings.

The following table shows the movements in lifetime ECL that has been recognised for trade receivables under the simplified approach.

	Lifetime ECL (not credit-impaired) RMB'000	**Lifetime ECL (credit-impaired)** RMB'000	**Total** RMB'000
As at 1 January 2022	4,021	50,576	54,597
Impairment losses recognised	4,375	172	4,547
Impairment losses reversed	(2,615)	(6,291)	(8,906)
As at 31 December 2022	**5,781**	**44,457**	**50,238**
Impairment losses recognised	**638**	**—**	**638**
Impairment losses reversed	**(4,653)**	**(3,021)**	**(7,674)**
As at 31 December 2023	**1,766**	**41,436**	**43,202**

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Credit risk and impairment assessment (Con'd)

The following tables show reconciliation of loss allowances that has been recognised for other receivables.

	12-month ECL	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
	RMB'000	RMB'000	RMB'000	RMB'000
As at 1 January 2022	—	11,250	38,593	49,843
Impairment losses recognised	—	4,379	—	4,379
Impairment losses reversed	—	(1,233)	(22)	(1,255)
As at 31 December 2022	**—**	**14,396**	**38,571**	**52,967**
Impairment losses recognised	**—**	**916**	**12,236**	**13,152**
Impairment losses reversed	**—**	**(8,993)**	**(2,128)**	**(11,121)**
As at 31 December 2023	**—**	**6,319**	**48,679**	**54,998**

For financial guarantee contracts, the maximum amount that the Group has guaranteed under the relevant contract was RMB1,902,000,000 (2022: RMB1,632,000,000). At the end of the reporting period, the directors of the Company have performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contracts. Details of the financial guarantee contracts are set out in Note 35.

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and bank balances deemed adequate by the directors of the Company to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The directors of the Company monitor the utilisation of bank borrowings. When there is non-compliance with loan covenants, the directors of the Company would liaise with lenders and follow up actions will be taken promptly as appropriate to ensure sufficient liquidity is available if the lenders demand immediate repayment.

The Company has net current liabilities amounting to RMB577,321,000 as at 31 December 2023 (Note 51), which exposed the Company to liquidity risk. The Company will repay borrowings due within one year amounting to RMB565,237,000 included in current liabilities. The Group opened cross border two-way RMB cash pool account to prepay the borrowings upon maturity. The Group has cash, bank balance and deposit placed with Tianrui Finance of RMB1,174,841,000 as at 31 December 2023.

The following table details the Group's remaining contractual maturity for its financial liabilities and lease liabilities. The table has been drawn up based on the undiscounted cash flows for financial liabilities based on the earliest date on which the Group can be required to pay.

The maturity dates for financial liabilities and lease liabilities are based on the agreed repayment dates.

47. FINANCIAL INSTRUMENTS (Con'd)

47.2 Financial risk management objectives and policies (Con'd)

Liquidity risk (Con'd)

The tables include both interest and principal cash flows. To the extent that interest flows are variable-rate, the undiscounted amount is derived from interest rate at the end of each reporting period.

	Weighted average interest rate	On demand or 0–30 days	31 to 180 days	181 to 365 days	1–2 years	2–3 years	Over 3 years	Total undiscounted cash flows	Carrying amounts
	% per annum	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
As at 31 December 2023									
Trade and other payables		**632,757**	**3,257,467**	**708,522**	**—**	**—**	**—**	**4,598,746**	**4,598,746**
Other financial liabilities	**10.80**	**—**	**4,500**	**251,700**	**675,759**	**—**	**—**	**931,959**	**866,090**
Short-term loans from an associate	**2.77**	**2,584**	**261,765**	**888,063**	**—**	**—**	**—**	**1,152,412**	**1,120,000**
Borrowings	**6.65**	**6,144,487**	**2,846,584**	**3,576,376**	**2,666,965**	**2,193,955**	**508,300**	**17,936,667**	**16,592,494**
Other long-term payable	**4.65**	**—**	**—**	**86,681**	**86,681**	**86,681**	**233,299**	**493,342**	**431,774**
		6,779,828	**6,370,316**	**5,511,342**	**3,429,405**	**2,280,636**	**741,599**	**25,113,126**	**23,609,104**
Financial guarantee liabilities		**1,902,000**	**—**	**—**	**—**	**—**	**—**	**1,902,000**	**44,428**
Lease liabilities	**6.09**	**161**	**1,129**	**1,301**	**2,412**	**1,090**	**3,448**	**9,540**	**7,844**
As at 31 December 2022									
Trade and other payables	—	1,580,740	851,772	1,840,159	—	—	—	4,272,671	4,272,671
Other financial liabilities	7.88–10.10	970,583	—	215,750	—	—	—	1,186,333	1,175,772
Loan from an associate	3.05	1,985	308,557	581,707	—	—	—	892,249	870,000
Borrowings	5.99	1,066,110	2,660,125	2,739,065	696,206	662,834	172,710	7,997,050	7,547,454
Long-term corporate bonds due within one year	6.50	—	23,096	7,261	—	—	—	30,357	29,478
Other long-term payable	4.65	—	—	121,890	65,895	65,895	315,641	569,321	492,463
		3,619,418	3,843,550	5,505,832	762,101	728,729	488,351	14,947,981	14,387,838
Financial guarantee liabilities		1,632,000	—	—	—	—	—	1,632,000	15,381
Lease liabilities	6.45	87	2,168	1,797	1,440	1,479	3,922	10,892	9,197

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

47. FINANCIAL INSTRUMENTS (Con'd)

47.3 Fair value measurements

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Certain of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how their fair values are determined (in particular, the valuation technique(s) and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

Financial assets	Fair value (RMB'000)		Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable inputs to fair value
	2023	2022				
Option granted by Tianrui Group	**nil**	Assets 495	Level 3	The binomial option pricing model. The key inputs are stock price volatility rate, spot price, exercise price, risk free rate, dividend yield, exit rate, exercise multiples, time to maturity and vesting date.	Stock price volatility rate	N/A
PRC investment funds (see Note 27)	**Assets 8,317**	Assets 10,070	Level 2	Market price or fair value of underlying investments held by funds.	N/A	N/A
Wealth management products	**Assets 4,768**	Assets 28,831	Level 2	Discounted cash flow. Future cash flows are estimated based on estimated return.	N/A	N/A

There is no transfer between level 1 and level 2 during the current and prior years.

47. FINANCIAL INSTRUMENTS (Con'd)

47.3 Fair value measurements (Con'd)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (Con'd)

Reconciliation of Level 3 fair value measurements

The options granted by Tianrui Group are classified as derivative financial assets. The options were measured at fair value on Level 3 fair value measurement.

The following are reconciliation of the options:

	RMB'000
Fair value:	
At 1 January 2022	1,155
Changes in fair value recognised in profit or loss	(660)
At 31 December 2022	**495**
Changes in fair value recognised in profit or loss	**(495)**
At 31 December 2023	**—**

Fair value of the Group's financial assets and financial liabilities that are not measured at fair value on a recurring basis (but fair value disclosures are required)

The fair value of financial assets and financial liabilities are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The directors of the Company consider that the carrying amounts of financial assets and financial liabilities recorded at amortised cost in the consolidated financial statements approximate their fair values.

48. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details major changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Other long-term payable RMB'000 (Note 20)	Borrowings RMB'000 (Note 36)	Long-term corporate bonds RMB'000 (Note 39)	Guaranteed notes RMB'000 (Note 38)	Lease liabilities RMB'000 (Note 40)	Loans from an associate RMB'000 (Note 35)	Other financial liabilities RMB'000 (Note 34)	Total RMB'000
At 1 January 2022	386,549	7,307,328	64,591	884,913	18,736	1,200,000	1,207,860	11,069,977
Financing cash flows	(17,632)	(746,258)	(41,090)	(994,632)	(38,828)	(373,624)	(151,302)	(2,363,366)
New addition	148,160	—	—	—	28,174	—	—	176,334
Settlement	(42,246)	—	—	—	—	—	—	(42,246)
Interest expenses	17,632	788,668	4,189	58,946	1,115	43,624	119,214	1,033,388
Decrease in discounted bills with recourse presented under operating cash flows	—	114,446	—	—	—	—	—	114,446
Exchange loss	—	83,270	1,788	50,773	—	—	—	135,831
At 31 December 2022	**492,463**	**7,547,454**	**29,478**	**—**	**9,197**	**870,000**	**1,175,772**	**10,124,364**
Financing cash flows (Note)	**—**	**8,175,825**	**(30,751)**	**—**	**(4,807)**	**223,109**	**(423,391)**	**7,939,985**
New addition	**8,682**	**—**	**—**	**—**	**2,874**	**—**	**—**	**11,556**
Investment	**(85,381)**	**—**	**—**	**—**	**—**	**—**	**—**	**(85,381)**
Decrease in discounted bills with recourse presented under operating cash flows	**—**	**(114,446)**	**—**	**—**	**—**	**—**	**—**	**(114,446)**
Interest expenses	**16,010**	**993,587**	**1,276**	**—**	**580**	**26,891**	**113,709**	**1,152,053**
Exchange loss	**—**	**(9,926)**	**(3)**	**—**	**—**	**—**	**—**	**(9,929)**
At 31 December 2023	**431,774**	**16,592,494**	**—**	**—**	**7,844**	**1,120,000**	**866,090**	**19,018,202**

Note: In financing cash flows on the consolidated cash flow statement for the year ended 31 December 2023, there are repayment of other borrowings amounting to RMB991 million and repayment of discounted bills of RMB4,462 million. They are reconciled against corresponding items in operating cash flows.

49. MAJOR NON-CASH TRANSACTIONS

During the current year, dividend in the amount of RMB199,073,000 was distributed to the shareholders of Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement"), a subsidiary owned as to 55% by the Company. The amount of dividend paid to the non-controlling interests was RMB89,583,000. The payment of dividend was settled by Xinding Cement's trade and other receivables with the shareholders.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY

General information of subsidiaries

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below:

Name of companies	Place of incorporation/ establishment and operations	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
			2023 **%**	2022 %	**2023** **%**	2022 %	
China Tianrui (Hong Kong) Company Limited 中國天瑞(香港)有限公司	Hong Kong	US$1	**100**	100	**100**	100	Investment holding
Tianrui Cement Group Company Limited 天瑞水泥集團有限公司	The PRC	US$594,052,471	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Ruzhou Cement Company Limited 天瑞集團汝州水泥有限公司	The PRC	RMB180,000,000	**71.39**	71.39	**71.39**	71.39	Manufacture and sale of cement and clinker
Weihui Shi Tianrui Cement Company Limited 衛輝市天瑞水泥有限公司	The PRC	RMB240,000,000	**71.67**	71.67	**71.67**	71.67	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Zhoukou Cement Company Limited 天瑞集團周口水泥有限公司	The PRC	RMB81,000,000	**100**	100	**100**	100	Manufacture and sale of cement
Tianrui Group Yuzhou Cement Company Limited 天瑞集團禹州水泥有限公司	The PRC	RMB250,000,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Con'd)

General information of subsidiaries (Con'd)

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (Con'd)

Name of companies	Place of incorporation/ establishment and operations	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
			2023 %	2022 %	2023 %	2022 %	
Dalian Tianrui Cement Company Limited 大連天瑞水泥有限公司	The PRC	RMB350,000,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Yingkou Tianrui Cement Company Limited 營口天瑞水泥有限公司	The PRC	RMB111,300,000	**100**	100	**100**	100	Manufacture and sale of cement
Tianrui Group Nanzhao Cement Company Limited 天瑞集團南召水泥有限公司	The PRC	RMB200,000,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Liaoyang Tianrui Cement Company Limited 遼陽天瑞水泥有限公司	The PRC	RMB213,680,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Tianrui Group Xuchang Cement Company Limited 天瑞集團許昌水泥有限公司	The PRC	RMB80,000,000	**100**	100	**100**	100	Manufacture and sale of cement
Tianrui Group Guangshan Cement Company Limited 天瑞集團光山水泥有限公司	The PRC	RMB280,000,000	**59.79**	59.79	**59.79**	59.79	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Zhengzhou Cement Company Limited 天瑞集團鄭州水泥有限公司	The PRC	RMB520,000,000	**93.29**	93.29	**93.29**	93.29	Manufacture and sale of cement, clinker and limestone aggregate
Tianrui Group Xiaoxian Cement Company Limited 天瑞集團蕭縣水泥有限公司	The PRC	RMB241,958,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Tianjin Tianrui Cement Company Limited ("Tianjin Tianrui Cement") 天津天瑞水泥有限公司	The PRC	RMB300,000,000	**100**	60	**100**	60	Manufacture and sale of cement
Liaoyang Tianrui Weiqi Cement Company Limited 遼陽天瑞威企水泥有限公司	The PRC	RMB39,000,000	**100**	100	**100**	100	Manufacture and sale of cement

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Con'd)

General information of subsidiaries (Con'd)

Details of the principal subsidiaries directly and indirectly held by the Company at the end of the reporting period are set out below: (Con'd)

Name of companies	Place of incorporation/ establishment and operations	Paid up issued/ registered capital	Proportion of ownership interest held by the Company		Proportion of voting power held by the Company		Principal activities
			2023 %	2022 %	2023 %	2022 %	
Liaoyang Tianrui Chengxing Cement Company Limited 遼陽天瑞誠興水泥有限公司	The PRC	RMB20,000,000	**70**	70	**70**	70	Manufacture and sale of cement
Liaoyang Tianrui Liaota Cement Company Limited 遼陽天瑞遼塔水泥有限公司	The PRC	RMB305,000,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Dalian Tianrui Jinhaian Cement Company Limited 大連天瑞金海岸水泥有限公司	The PRC	RMB120,000,000	**100**	100	**100**	100	Manufacture and sale of cement
Haicheng The First Cement Company Limited 海城市第一水泥有限公司	The PRC	RMB250,000,000	**100**	100	**100**	100	Manufacture and sale of cement and clinker
Yongan Cement 河南永安水泥有限公司	The PRC	RMB572,600,000	**100**	100	**100**	100	Manufacture and sale of cement
Xindeng Cement 天瑞新登鄭州水泥有限公司	The PRC	RMB294,667,600	**55**	55	**55**	55	Manufacture and sale of cement and limestone aggregate
Henan Shengye Cement Sales Co. 河南聖業水泥銷售有限公司	The PRC	RMB120,000,000	**100**	100	**100**	100	Sale of cement and limestone aggregate
Liaoning Shengye Building Materials Sales and Service Co. 遼寧聖業建材銷售服務有限公司	The PRC	RMB50,000,000	**100**	100	**100**	100	Sale of cement and limestone aggregate
Tianrui Xinke (Henan) Digital Technology Co. 天瑞信科(河南)數字科技有限公司	The PRC	RMB100,000,000	**90**	90	**90**	90	Software development and provision of software service

Except for China Tianrui (Hong Kong) Company Limited, all entities are indirectly held by the Company.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Con'd)

Details of non-wholly owned subsidiary that has material non-controlling interests

The above table lists the subsidiaries of the Company which, in the opinion of the directors of the Company, principally affected the results or assets of the Group. To give details of other subsidiaries would, in the opinion of the directors of the Company, result in particulars of excessive length.

The table below shows details of non-wholly-owned subsidiary of the Group that has material non-controlling interests:

Name of subsidiary	Place of establishment and principal place of business	Proportion of ownership interests held by non-controlling interests		Proportion of voting rights held by non-controlling interests		Profit/(loss) allocated to non-controlling interests		Accumulated non-controlling interests	
		2023	2022	**2023**	2022	**2023**	2022	**2023**	2022
		%	%	**%**	%	**RMB'000**	RMB'000	**RMB'000**	RMB'000
Xindeng Cement	The PRC	**45**	45	**45**	45	**16,656**	76,440	**331,729**	404,656
Individually immaterial subsidiaries with non-controlling interests						**(6,305)**	14,158	**(12,098)**	(129,388)
						10,351	90,598	**319,631**	275,268

Summarised financial information in respect of the Group's subsidiary that has material non-controlling interests is set out below. The summarised financial information below represents amounts before intragroup eliminations.

50. PARTICULARS OF PRINCIPAL SUBSIDIARIES OF THE COMPANY (Con'd)

Xindeng Cement

	2023 RMB'000	2022 RMB'000
Current assets	**349,369**	457,806
Non-current assets	**924,118**	986,047
Current liabilities	**(265,663)**	(231,046)
Non-current liabilities	**(270,649)**	(313,572)
Net assets	**737,175**	899,235
Equity attributable to owners of the Company	**405,446**	494,579
Non-controlling interests of Xindeng Cement	**331,729**	404,656
	737,175	899,235

	2023 RMB'000	2022 RMB'000
Revenue	**589,229**	847,579
Expenses	**(552,216)**	(677,713)
Profit and total comprehensive income for the year	**37,013**	169,866
Profit and total comprehensive income attributable to:		
Owners of the Company	**20,357**	93,426
Non-controlling interests of Xindeng Cement	**16,656**	76,440
	37,013	169,866
Dividend paid to non-controlling interests	**89,583**	—
Net cash from operating activities	**12,364**	86,484
Net cash used in investing activities	**(53,571)**	(83,587)
Net cash from financing activities	**51,896**	—
Net cash inflows	**10,689**	2,897

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY

	2023 RMB'000	2022 RMB'000
NON-CURRENT ASSETS		
Investment in a subsidiary	**1,925,778**	1,925,778
Amounts due from subsidiaries	**847,250**	1,122,192
Office equipment	**15**	15
Derivative financial instruments	**—**	495
	2,773,043	3,048,480
CURRENT ASSETS		
Other receivables	**10,467**	10,197
Cash and bank balances	**1,510**	5,376
	11,977	15,573
CURRENT LIABILITIES		
Borrowings due within one year	**565,237**	897,247
Corporate bonds within one year	**—**	29,478
Other payables	**24,061**	16,636
	589,298	943,361
NET CURRENT LIABILITIES	**(577,321)**	(927,788)
TOTAL ASSETS LESS CURRENT LIABILITIES	**2,195,722**	2,120,692
CAPITAL AND RESERVES		
Share capital	**24,183**	24,183
Reserves	**1,911,887**	1,975,465
TOTAL EQUITY	**1,936,070**	1,999,648
NON-CURRENT LIABILITIES		
Borrowings due after one year	**138,608**	—
Deferred tax liabilities	**121,044**	121,044
	259,652	121,044
	2,195,722	2,120,692

51. STATEMENT OF FINANCIAL POSITION AND RESERVES OF THE COMPANY (Con'd)

Movements in reserves of the Company

	Share premium RMB'000	Other reserve RMB'000	Retained earnings RMB'000	Total RMB'000
At 1 January 2022	1,066,648	228,480	789,373	2,084,501
Loss and total comprehensive expense for the year	—	—	(109,036)	(109,036)
At 31 December 2022 and at 1 January 2023	**1,066,648**	**228,480**	**680,337**	**1,975,465**
Loss and total comprehensive expense for the year	**—**	**—**	**(63,578)**	**(63,578)**
At 31 December 2023	**1,066,648**	**228,480**	**616,759**	**1,911,887**

Financial Summary

Financial summary — in accordance with International Financial Reporting Standards.

CONSOLIDATED RESULTS

	For the year ended 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Revenue	**7,888,810**	11,055,439	12,716,775	12,170,754	12,087,532
(Loss)/profit before tax	**(629,819)**	687,886	1,453,103	2,368,102	2,667,671
Income tax credit/(expense)	**6,295**	(148,598)	(171,581)	(397,652)	(733,166)
(Loss)/profit for the year	**(623,524)**	539,288	1,281,522	1,970,450	1,934,505
Attributable to:					
Owners of the Company	**(633,875)**	448,690	1,200,590	1,860,580	1,819,423
Non-controlling interests	**10,351**	90,598	80,932	109,870	115,082
	(623,524)	539,288	1,281,522	1,970,450	1,934,505

CONSOLIDATED FINANCIAL POSITION

	As at 31 December				
	2023 RMB'000	2022 RMB'000	2021 RMB'000	2020 RMB'000	2019 RMB'000
Total assets	**40,573,494**	32,343,592	32,658,235	32,439,501	32,324,304
Total liabilities	**(24,787,427)**	(15,753,498)	(16,589,957)	(17,616,603)	(19,348,713)
Total equity	**15,786,067**	16,590,094	16,068,278	14,822,898	12,975,591
Attributable to:					
Owners of the Company	**15,466,436**	16,314,826	15,883,608	14,694,050	12,839,563
Non-controlling interests	**319,631**	275,268	184,670	128,848	136,028
	15,786,067	16,590,094	16,068,278	14,822,898	12,975,591