CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 1252)

ANNOUNCEMENT OF ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2023

SUMMARY/FINANCIAL HIGHLIGHTS

	2023 *RMB'000*	2022 *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 and total comprehensive (expense)/income for the year	**(623,524)**	539,288
Of which: (Loss)/profit and total comprehensive (expense)/income for the year attributable to owners of the Company	**(633,875)**	448,690
Basic (loss)/earnings per share *(RMB)*	**(0.22)**	0.15

	2023 *RMB'000*	2022 *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

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the year ended 31 December 2023 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

	Notes	**2023** *RMB'000*	2022 *RMB'000*
Revenue	3	**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	5	**396,574**	534,534
Impairment loss under expected credit loss model, net of reversal	6	**5,005**	1,235
Loss on changes in fair value of financial assets at fair value through profit or loss		**(2,248)**	(284)
Other gains and losses, net	7	**(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	8	**(1,152,053)**	(1,033,388)
(Loss)/profit before tax		**(629,819)**	687,886
Income tax (credit)/expense	9	**6,295**	(148,598)
(Loss)/profit and total comprehensive (loss)/income for the year	10	**(623,524)**	539,288
(Loss)/profit and total comprehensive 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

		2023 *RMB*	2022 *RMB*
(Loss)/earnings per share			
Basic and diluted	11	**(0.22)**	0.15

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**2023** *RMB'000*	2022 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**9,279,029**	9,768,770
Long-term prepayments and receivables		**151,490**	1,271,337
Right-of-use assets		**1,037,347**	993,444
Mining rights		**1,554,988**	1,485,269
Goodwill		**84,845**	284,233
Other intangible assets		**14,000**	14,000
Investments in associates		**1,004,269**	1,086,802
Derivative financial instruments		**—**	495
Deferred tax assets		**104,811**	109,613
Pledged bank balances		**15,789**	26,895
Amounts due from an associate		**—**	428,632
		13,246,568	15,469,490
CURRENT ASSETS			
Inventories		**819,126**	1,042,962
Trade and other receivables	13	**19,606,156**	9,240,184
Amounts due from associates		**595,332**	1,017,335
Financial assets at fair value through profit or loss		**13,085**	38,901
Pledged bank balances		**5,118,386**	4,546,923
Cash, deposits and bank balances		**1,174,841**	987,797
		27,326,926	16,874,102
CURRENT LIABILITIES			
Trade and other payables	14	**4,707,418**	4,403,336
Contract liabilities		**444,437**	571,383
Lease liabilities due within one year		**2,180**	3,579
Other financial liabilities		**256,200**	1,175,772
Short-term loans from an associate		**1,120,000**	870,000
Borrowings due within one year		**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		**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

	Notes	2023 RMB'000	2022 RMB'000
CAPITAL AND RESERVES			
Share capital		**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		**319,631**	275,268
TOTAL EQUITY		**15,786,067**	16,590,094
NON-CURRENT LIABILITIES			
Borrowings due after one year		**4,623,425**	1,397,015
Lease liabilities due after one year		**5,664**	5,618
Deferred tax liabilities		**154,975**	159,218
Deferred income		**175,372**	192,416
Provision for environmental restoration		**45,811**	54,408
Other long-term payables		**358,073**	423,093
Other financial liabilities due after one year		**609,890**	—
		5,973,210	2,231,768
		21,759,277	18,821,862

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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 have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 23 December 2011. The registered office of the Company is Cricket Square, Hutchins Drive P.O. Box 2681, Grand Cayman KY1-1111, Cayman Islands, and its principal place of business is located at No. 63, Guangcheng East Road, Ruzhou City, Henan Province, the People's Republic of China (the "**PRC**" or "**China**").

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

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

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

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

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the 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*

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

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

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

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

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 period beginning on or after 1 January 2024.
[3] Effective for annual periods beginning on or after 1 January 2025.

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

3. REVENUE

Disaggregation of revenue from contracts with customers:

	2023	2022
	RMB'000	*RMB'000*
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
Timing of revenue recognition — A point in time	**7,888,810**	11,055,439

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

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 recognised when the control of the goods is transferred to the customer.

4. SEGMENT INFORMATION

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

The Group's chief operating decision maker reviews the Group's internal reports which are mainly based on two broad geographical locations for the purposes of resource allocation and performance assessment. This is the basis upon which the Group is organised. Management has determined the operating segments based on these reports. Central China ("**Central China**") includes Henan province and certain parts of Anhui province. Northeastern China ("**Northeastern China**") includes Liaoning province and Tianjin City. No operating segments identified by the chief operating decision maker have been aggregated in arriving at the reportable segments of the Group.

4. SEGMENT INFORMATION (CONTINUED)

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

	Segment revenue		Segment (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 financial costs			**(96,387)**	(164,663)
Unallocated other gains and losses, net			**13,053**	(2,248)
Loss on changes in fair value of financial assets at fair value through profit or loss ("**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. Segment profit/(loss) represents the profit/(loss) before tax without allocation of certain corporate administrative expenses including directors' emoluments, certain other gains and losses, and changes in fair value of financial assets at FVTPL.

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

4. SEGMENT INFORMATION (CONTINUED)

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

	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
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 certain unallocated cash, deposits and bank balances; and

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

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2023

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
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**
Interest in associates	**1,004,269**	**—**	**1,004,269**
Impairment of goodwill	**(128,066)**	**(71,322)**	**(199,388)**
Impairment of property, plant and equipment	**(15,352)**	**—**	**(15,352)**
Finance costs	**(1,019,202)**	**(132,851)**	**(1,152,053)**
Provision for environmental restoration	**(21,607)**	**(5,261)**	**(26,868)**
Depreciation and amortisation before capitalisation	**(742,738)**	**(211,523)**	**(954,261)**
(Reversal)/impairment loss under expected credit loss model, net of reversal	**8,639**	**(3,634)**	**5,005**
Loss/(gain) on disposal of property, plant and equipment, net	**7,379**	**(78)**	**7,301**
Value-added tax refund	**97,451**	**14,756**	**112,207**
Incentive subsidies	**34,535**	**12,140**	**46,675**
Interest income	**83,540**	**19,945**	**103,485**
Share of results of associates	**(93,533)**	**—**	**(93,533)**

4. **SEGMENT INFORMATION (CONTINUED)**

For the year ended 31 December 2022

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

Revenue from major products has been disclosed in Note 3. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

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

5. OTHER INCOME

	2023	2022
	RMB'000	*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 bank deposits	**97,418**	88,064
Interest income from loans to an associate	**6,067**	6,381
Software service income *(Note (iii))*	**24,619**	10,756
Income from sundry operations *(Note (iv))*	**6,242**	174,373
Release of deferred income	**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) Software service income is generated from provision of software development.

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

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

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

7. OTHER GAINS AND LOSSES

	2023	2022
	RMB'000	*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)

8. FINANCE COSTS

	2023	2022
	RMB'000	*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

9. INCOME TAX (CREDIT)/EXPENSE

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

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

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

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

10. (LOSS)/PROFIT FOR THE YEAR

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

	2023	2022
	RMB'000	*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 to inventories	**(633,212)**	(745,280)
Amounts included in other expenses *(note)*	**(46,159)**	(45,275)
	274,890	406,626
Cost of inventories recognised as an expense	**6,259,487**	8,341,595
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
Research and development costs recognized 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 is included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

11. (LOSS)/EARNINGS PER SHARE

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

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

	2023	2022
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,938,282

Diluted (loss)/earnings per share is presented as the same as basic (loss)/earnings per share for both 2023 and 2022 as there were no potential ordinary shares in issue for the Company for both 2023 and 2022.

12. 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).

13. TRADE AND OTHER RECEIVABLES

Included in trade and other receivables are trade receivables(net of allowances for credit loss) amounting to RMB142,705,000.The credit term granted to customers is normally 180 days upon delivery of goods. The aged analysis of the Group's trade receivables prepared based on the goods delivery date at the end of each reporting period is as follows:

	2023	2022
	RMB'000	*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 collateral over the above balances.

14. TRADE AND OTHER PAYABLES

Included in trade and other payables are trade payables amounting to RMB1,075,859,000.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	2022
	RMB'000	*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

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 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 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 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.

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 were approximately RMB6.3 million in 2023, changed from income tax expense of approximately RMB148.6 million in 2022, which was 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.

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.

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.

Notes:

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

2. Current ratio = current assets/current liabilities;

3. Quick ratio = (current assets-inventory)/current liabilities;

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

NET GEARING RATIO

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.

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

MARKET RISKS

Interest Rate Risk

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

Liquidity Risk

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

Exchange Rate Risk

The Group's businesses are principally denominated in Renminbi, and certain bank balances and borrowings are denominated in Hong Kong Dollar or United States Dollar, which expose the Group to exchange rate fluctuation risk. Currently, the Group does not have any hedging policy on foreign currency. Facing the complex international financial environment, the management will closely monitor the exchange rate fluctuation risk, reasonably limit the domestic and foreign currency risk exposure, and take appropriate hedging measures to control the significant exchange rate fluctuation risk when necessary.

EMPLOYEES AND REMUNERATION POLICY

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.

According to Liaoning Daily, Liaoning Province has identified 300 provincial key projects in 2024, with a total investment of over RMB1.4 trillion and an annual planned investment of over RMB170 billion. The province has more than 15,000 projects under construction thus far, including 7,758 ongoing projects and 7,881 new projects.

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 standards of GB 175–2023 "General Purpose Portland Cement" will be implemented from 1 June 2024. The standards are 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.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

As always, the Company assumes social responsibilities, protects the ecological environment and achieves sustainable development. Tianrui Xindeng Cement and Tianrui Zhengzhou Cement, subsidiaries of the Group, won prizes in the first "Zero Carbon Zhongyuan Cup", a green manufacturing technology application and innovation competition in Henan Province; and the Group has a total of 19 class A, class B and performance leading enterprises. By strengthening the ecological restoration of mines and greening of factories, 14 mines of the Group were recognized as national or provincial green mines. During the year, Tianrui Xiaoxian Cement, Tianrui Nanzhao Cement and Tianrui Yuzhou Qianjing Cement were added as national green factories, and its subsidiaries had 11 green factories in total, 8 of which were national green factories. The Group pushed forward the project of collaborative disposal of waste and urban sludge for cement kilns, and continued to carry out activities to improve quality, reduce consumption and enhance efficiency. Two of its branches and subsidiaries were selected as the "performance leaders" on meeting the standards in energy efficiency. In addition, the Company actively developed photovoltaic power generation projects in response to the "carbon neutrality" and new energy policies. The Company attached great importance to the cultivation of professional skills and team building of employees, and has won many major awards, for example, the Company won several awards in the cement quality comparison "Meinuofu Cup" and the "Aotong Cup" skills contest.

The Group is committed to promoting the transformation and upgrading of digital and intelligent development in the cement industry. Leveraging the mature and robust data management capabilities, it promotes the information technology, digital and intelligent development of enterprises, effectively improves production efficiency and product quality, reduces cost and energy consumption, and achieves green, efficient and intelligent sustainable development. During the year, with the establishment of "12406", a high-quality development model driven by digital intelligence, Weihui Tianrui Cement was awarded the title of national quality standard enterprise under the "Key Process Quality Control Direction" category; Ningling Cement of Tianrui Group was selected as a pilot enterprise for implementing DCMM standard of Henan Province in 2023; and Tianrui Liaoyang Cement was included in the list of "Intelligent Manufacturing Demonstration Factories" by the Ministry of Industry and Information Technology.

With a view to continuously implementing the new development concept and adhering to high-quality development, the Group established two provincial-level technology research and development centres in Henan and Liaoning, and several municipal-level research and development centres. During the reporting period, it successfully developed and transformed various key technologies such as ultra-low emission, grate cooler, non-ammonia denitrification and high-temperature fan. During the year, 9 subsidiaries of the Group passed the review of high-tech enterprises, the number of high-tech enterprises under the Group increased to 19, and 21 smart factories were owned by the Group.

CORPORATE GOVERNANCE

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

For the period from 1 January 2023 to 31 December 2023, the Company has adopted the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") set out in 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 the Corporate Governance Code, the roles of the chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has not appointed a new chief executive officer since the resignation of the former chief executive officer of the Company on 1 December 2015. The Company has been identifying a new chief executive officer in an active manner since then. In the meantime, the Board of the Company established an Executive Committee, which was composed of 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 not one of the Executive Committee members, thus ensure that the authority is not vested in the same individual.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

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

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference set out in the Corporate Governance Code. The principal duties of the audit committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang.

The Audit Committee has reviewed the accounting principles and practices adopted by the Group and has reviewed the annual results of the Group for the year ended 31 December 2023 in conjunction with management and the Company's external auditor.

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

In 2023, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

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

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2023.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.trcement.com and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The annual report for the year ended 31 December 2023 of the Company containing all the information required by the Listing Rules will also be dispatched to the shareholders of the Company and be published on the same websites in due course.

APPRECIATION

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

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

Ruzhou City, Henan Province, PRC, 1 April 2024

As at the date of this announcement, the Board consists of:

Chairman and Executive Director
Mr. Li Xuanyu

Executive Directors
Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming

Non-executive Director
Mr. Li Liufa

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