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 UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

HIGHLIGHTS OF THE UNAUDITED ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2019

- Revenue for the year ended 31 December 2019 amounted to RMB12,087.5 million, representing an increase of RMB2,026.9 million or 20.1% from RMB10,060.6 million for the year ended 31 December 2018.
- Profit before tax for the year ended 31 December 2019 amounted to RMB2,667.7 million, representing an increase of approximately RMB925.1 million or 53.1% from RMB1,742.6 million for the year ended 31 December 2018.
- Profit attributable to owners of the Company for the year ended 31 December 2019 amounted to RMB1,819.4 million, representing an increase of approximately RMB606.9 million or 50.0% from RMB1,212.5 million for the year ended 31 December 2018.
- Earnings per Share for the year ended 31 December 2019 amounted to RMB0.62, representing an increase of 50.0% from RMB0.41 for the year ended 31 December 2018.
- The Board does not recommend any final dividend for the year ended 31 December 2019.

The Board is pleased to announce the unaudited consolidated results of the Group for the year ended 31 December 2019, together with the comparative figures for the corresponding period in 2018. As of the date of this announcement, certain auditing and reporting processes for the annual results of the Group for the year ended 31 December 2019 have not been completed, therefore the Company and its auditors are not yet in a position to agree on the final annual results of the Group for the year ended 31 December 2019. The Company expects that the results will be agreed with the auditors on or before 10 April 2020, and will make further announcements in due course. Detailed reasons for such delay are explained in the paragraph headed "Review of Unaudited Annual Results" in this announcement.

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
For the year ended 31 December 2019

	Notes	2019 RMB'000	2018 RMB'000
Revenue	4, 5	**12,087,532**	10,060,647
Cost of sales		**(7,580,162)**	(6,787,159)
Gross profit		**4,507,370**	3,273,488
Other income	6	**580,485**	549,104
Other gains and losses	7	**(137,545)**	(81,666)
Share of results of associates		**(168,003)**	5,624
Impairment losses under expected credit loss model, net of reversal	8	**(7,049)**	(6,026)
Gain from changes in fair value of financial assets at fair value through profit or loss		**18,458**	6,132
Distribution and selling expenses		**(379,833)**	(341,427)
Administrative expenses		**(504,333)**	(434,794)
Other expenses		**(83,835)**	(105,857)
Finance costs	9	**(1,158,044)**	(1,122,006)
Profit before tax		**2,667,671**	1,742,572
Income tax expenses	10	**(733,166)**	(490,762)
Profit and total comprehensive income for the year	11	**1,934,505**	1,251,810
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,819,423**	1,212,547
Non-controlling interests		**115,082**	39,263
		1,934,505	1,251,810
		2019 RMB	2018 RMB
Earnings per share			
Basic	12	**0.62**	0.41

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2019

	Notes	2019 *RMB'000*	2018 *RMB'000*
NON-CURRENT ASSETS			
Property, plant and equipment		**11,112,916**	11,295,763
Deposits and prepayments		**2,422,257**	2,410,281
Prepaid lease payments		**—**	849,343
Right-of-use assets		**901,264**	—
Mining rights		**830,943**	590,251
Goodwill		**294,014**	307,642
Other intangible assets		**—**	4,179
Interests in associates		**513,560**	268,043
Derivative financial instruments		**49,427**	7,588
Deferred tax assets		**175,840**	171,090
Pledged bank balances		**103,779**	87,147
Amounts due from an associate		**330,000**	261,702
Other prepayments		**861,980**	—
		17,595,980	16,253,029
CURRENT ASSETS			
Inventories		**1,061,302**	874,873
Trade and other receivables	14	**7,305,611**	4,423,920
Amounts due from associates		**707,288**	944,911
Financial assets at fair value through profit or loss		**20,321**	43,702
Restricted bank balances		**—**	2,000,000
Pledged bank balances		**3,804,969**	3,301,474
Cash and bank balances		**1,828,833**	711,797
		14,728,324	12,300,677

	Notes	2019 RMB'000	2018 RMB'000
CURRENT LIABILITIES			
Trade and other payables	15	**4,499,829**	3,684,388
Contract liabilities		**371,604**	462,096
Other financial liability		**—**	2,000,000
Loan from an associate due within one year		**800,000**	900,000
Long-term corporate bonds due within one year		**114,263**	106,056
Lease liabilities		**15,036**	—
Borrowings due within one year		**5,788,178**	4,847,606
Current tax liabilities		**754,378**	552,872
Financial guarantee contracts		**14,906**	18,643
		12,358,194	12,571,661
NET CURRENT ASSETS/(LIABILITIES)		**2,370,130**	(270,984)
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,966,110**	15,982,045
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**12,815,380**	10,993,491
Equity attributable to owners of the Company		**12,839,563**	11,017,674
Non-controlling interests		**136,028**	61,446
TOTAL EQUITY		**12,975,591**	11,079,120
NON-CURRENT LIABILITIES			
Loan from an associate due after one year		**150,000**	100,000
Borrowings due after one year		**2,497,004**	2,318,866
Guaranteed notes		**934,566**	—
Long-term corporate bonds		**2,031,101**	2,121,943
Other financial liability		**1,004,445**	—
Lease liabilities due after one year		**25,554**	—
Deferred tax liabilities		**175,207**	183,256
Deferred income		**148,963**	157,548
Provision for environmental restoration		**23,679**	21,312
		6,990,519	4,902,925
		19,966,110	15,982,045

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS
For the year ended 31 December 2019

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "**Company**") is incorporated in the Cayman Islands as an exempted company with limited liability under the Companies Law of the Cayman Islands on 7 February 2011. The shares of the Company have been listed on The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") with effect from 23 December 2011. The registered office of the Company is Cricket Square, Hutchins Drive 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 People's Republic of China (the "**PRC**").

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 as at 31 December 2019 is Tianrui Group Company Limited ("**Tianrui Group**"), which is controlled by Mr. Li Liufa and Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with International Financial Reporting Standards ("**IFRSs**") issued by the International Accounting Standards Board ("**IASB**"). In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

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

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

The Group has applied the following new and amendments to IFRSs issued by the IASB for the first time in the current year.

IFRS 16	*Leases*
IFRIC 23	*Uncertainty over Income Tax Treatments*
Amendments to IAS 19	*Plan Amendment, Curtailment or Settlement*
Amendments to IAS 28	*Long-term Interests in Associates and Joint Ventures*
Amendments to IFRSs	*Annual Improvements to IFRSs 2015–2017 Cycle*

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

Impacts and changes in accounting policies of application on IFRS 16 "Leases"

The Group has applied IFRS 16 for the first time in the current year. IFRS 16 superseded IAS 17 Leases ("**IAS 17**") and related interpretations.

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 *Determining whether an Arrangement contains a Lease* and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019.

As at 1 January 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

- assessed whether leases are onerous by applying IAS 37 *Provisions, Contingent Liabilities and Contingent Assets* as an alternative of impairment testing;

- elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

- excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

- applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. Specifically, discount rate for certain leases of machinery and equipment in the PRC was determined on a portfolio basis; and

- used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 4.3% to 8.0%.

	At 1 January 2019 *RMB'000*
Operating lease commitments disclosed as at 31 December 2018	**54,928**
Lease liability discounted at relevant increment borrowing rates	**51,195**
Less: Recognition exemption — short-term leases	**(1,753)**
Lease liabilities relating to operating leases recognised upon application of IFRS 16 and at 1 January 2019	**49,442**
Analysed as	
Current	**14,562**
Non-current	**34,880**
	49,442

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

	Right-of-use assets *RMB'000*
Right-of-use assets relating to operating leases upon application of IFRS 16	**49,442**
Reclassified from other intangible assets	**4,179**
Reclassified from prepaid lease payments under non-current assets	**849,343**
Reclassified from prepaid lease payments under current assets	**22,975**
	925,939

Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB22,975,000 and RMB849,343,000 respectively, and other intangible assets which represent operating lease contracts amounting to RMB4,179,000, were reclassified to right-of-use assets.

As a lessor

In accordance with the transitional provisions in IFRS 16, the Group is not required to make any adjustment on transition for leases in which the Group is a lessor but account for these leases in accordance with IFRS 16 from the date of initial application and comparative information has not been restated.

The following adjustments were made to the amounts recognised in the consolidated statement of financial position at 1 January 2019. Line items that were not affected by the changes have not been included.

	Carrying amounts previously reported at 31 December 2018	Adjustments	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	***RMB'000***
Non-current assets			
Prepaid lease payments	849,343	(849,343)	**—**
Other intangible assets	4,179	(4,179)	**—**
Right-of-use assets	—	925,939	**925,939**
Current assets			
Trade and other receivables	4,423,920	(22,975)	**4,400,945**
Current liabilities			
Lease liabilities	—	14,562	**14,562**
Non-current liabilities			
Lease liabilities	—	34,880	**34,880**

Note: For the purpose of reporting cash flows from operating activities under indirect method for the year ended 31 December 2019, movements in working capital have been computed based on opening consolidated statement of financial position as at 1 January 2019 as disclosed above.

4. REVENUE

Disaggregation of revenue from contracts with customers

	2019	2018
	RMB'000	*RMB'000*
Sales of cement	**11,158,974**	9,100,016
Sales of clinker	**677,371**	813,292
Sales of limestone aggregate	**251,187**	147,339
	12,087,532	10,060,647
Timing of revenue recognition:		
A point in time	**12,087,532**	10,060,647

The Group sells cement, clinker and limestone aggregate directly to external customers and revenue is recognised when control of goods has transferred to the customers, being when the goods have been delivered to the customers for the current year. The normal credit term is 180 days upon delivery.

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

5. SEGMENT INFORMATION

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

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

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

	Segment revenue Year ended 31 December		**Segment profit Year ended 31 December**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**9,299,301**	7,684,622	**2,521,563**	1,732,865
Northeastern China	**2,788,231**	2,376,025	**292,118**	160,595
Total	**12,087,532**	10,060,647	**2,813,681**	1,893,460
Unallocated corporate administrative expenses			**(125,139)**	(92,884)
Unallocated other gains and losses, net			**(39,329)**	(64,136)
Gain from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**")			**18,458**	6,132
Profit before tax			**2,667,671**	1,742,572

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

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

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

	At 31 December	
	2019	2018
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**26,238,086**	22,272,869
Northeast China	**5,214,082**	5,698,918
Total segment assets	**31,452,168**	27,971,787
Financial assets at FVTPL	**20,321**	43,702
Derivative financial instruments	**49,427**	7,588
Interests in associates	**513,560**	268,043
Deferred tax assets	**175,840**	171,090
Unallocated other receivables	**33,464**	20,197
Unallocated cash and bank balances	**79,524**	71,299
Total assets	**32,324,304**	28,553,706
SEGMENT LIABILITIES		
Central China	**15,250,120**	12,381,332
Northeast China	**3,130,956**	4,321,860
Total segment liabilities	**18,381,076**	16,703,192
Deferred tax liabilities	**175,207**	183,256
Current tax liabilities	**754,378**	552,872
Unallocated other payables	**38,052**	35,266
Total liabilities	**19,348,713**	17,474,586

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, amount due from the ultimate holding company, interests in associates, deferred tax assets, certain unallocated other receivables, and certain unallocated cash 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.

Other segment information

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

For the year ended 31 December 2019

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
Additions to property, plant & equipment	**867,846**	**89,783**	**957,629**
Additions to rights-of-use assets	**12,947**	**—**	**12,947**
Finance costs	**964,523**	**193,521**	**1,158,044**
Additions to mining rights	**286,220**	**998**	**287,218**
Provision for environmental restoration	**4,973**	**1,794**	**6,767**
Impairment loss on goodwill	**—**	**13,628**	**13,628**
Impairment loss on property, plant and equipment	**—**	**37,877**	**37,877**
Depreciation and amortisation before capitalisation	**713,202**	**328,644**	**1,041,846**
Impairment loss/(reversal of impairment loss) under expected credit loss model, net	**(4,136)**	**11,185**	**7,049**
Loss on disposal of property, plant and equipment, net	**15,813**	**24,665**	**40,468**
Value-added tax refund	**(352,785)**	**(52,968)**	**(405,753)**
Incentive subsidies	**(14,724)**	**(4,207)**	**(18,931)**
Interest income on bank deposits	**(62,860)**	**(5,424)**	**(68,284)**

For the year ended 31 December 2018

	Central China *RMB'000*	Northeast China *RMB'000*	Total *RMB'000*
Additions to property, plant & equipment	278,429	25,419	303,848
Finance costs	842,327	279,679	1,122,006
Provision for environmental restoration	2,180	370	2,550
Depreciation and amortisation before capitalisation	662,816	317,303	980,119
Impairment loss/(reversal of impairment loss) under expected credit loss model, net	7,281	(1,255)	6,026
Loss/(gain) on disposal of property, plant and equipment, net	14,342	(2,815)	11,527
Value-added tax refund	(335,445)	(47,269)	(382,714)
Incentive subsidies	(3,210)	(9,668)	(12,878)
Interest income on bank deposits	(79,202)	(6,336)	(85,538)

Revenue from major products has been disclosed in Note 4. 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 or a group of customers under common control contributing over 10% of the total revenue of the Group for the years ended 31 December 2019 and 2018.

6. OTHER INCOME

	2019	2018
	RMB'000	*RMB'000*
Value-added tax refund	**405,753**	382,714
Incentive subsidies	**18,931**	12,878
Interest income on bank deposits	**68,284**	85,538
Rental income	**38,476**	3,580
Release of deferred income	**8,585**	8,584
Release of financial guarantee liability	**3,737**	5,377
Income from sundry operations	**31,441**	47,745
Software service income	**4,779**	2,416
Others	**499**	272
	580,485	549,104

7. OTHER GAINS AND LOSSES

	2019	2018
	RMB'000	*RMB'000*
Foreign exchange loss/(gain), net	**39,346**	64,136
Impairment loss on goodwill	**13,628**	—
Impairment loss on property, plant and equipment	**37,877**	—
Loss/(gain) on disposal of property, plant and equipment, net	**40,468**	11,527
Others	**6,226**	6,003
	137,545	81,666

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

	2019	2018
	RMB'000	*RMB'000*
Impairment losses/(reversal of impairment losses) recognised on:		
Trade receivables — goods and services	**11,478**	1,612
Other receivables	**(4,429)**	4,414
	7,049	6,026

9. FINANCE COSTS

	2019	2018
	RMB'000	*RMB'000*
Interest on:		
Bank borrowings	**598,256**	540,353
Lease liabilities	**3,393**	—
Bills discounted with recourse	**195,930**	161,207
Mid-term debentures	**—**	108,129
Guaranteed notes	**55,550**	—
Long-term corporate bonds	**282,314**	295,077
Borrowings from an associate	**31,128**	25,422
	1,166,571	1,130,188
Less: amounts capitalised in the cost of qualifying assets	**(8,527)**	(8,182)
	1,158,044	1,122,006

10. INCOME TAX EXPENSE

	2019	2018
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("**EIT**")	**745,122**	487,078
Underprovision/(overprovision) in prior years:		
EIT	**843**	(8,821)
Deferred tax	**(12,799)**	12,505
	733,166	490,762

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.

Under the PRC law on Enterprise Income Tax (the "**PRC EIT Law**") and Implementation Regulations of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25%.

11. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	2019	2018
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**957,698**	917,742
Amortisation of right-of-use assets	**37,622**	—
Release of prepaid lease payments	**—**	22,973
Amortisation of mining rights, included in cost of sales	**46,526**	38,594
Amortisation of other intangible assets, included in cost of sales	**—**	810
Total depreciation and amortisation	**1,041,846**	980,119
Less: amounts capitalised to inventories	**(730,426)**	(632,673)
amounts included in other expenses *(note)*	**(43,625)**	(57,135)
	267,795	290,311
Cost of inventories recognised as an expense	**7,580,162**	6,787,159
Employee benefits expense (including contributions to retirement benefit scheme, and directors' emoluments)	**500,265**	457,831
Less: amounts included in inventories	**(194,564)**	(180,961)
	305,701	276,870
Auditor's remuneration	**2,700**	2,700

Note:

Depreciation and amortisation amounting to RMB43,625,000 (2018: RMB57,135,000) 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.

12. 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:

	2019	2018
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,819,423**	1,212,547

	2019	2018
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,938,282

No diluted earnings per share is presented for both 2019 and 2018 as there were no potential ordinary shares in issue for both 2019 and 2018.

13. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2019, nor has any dividend been proposed since the end of the reporting period (2018: Nil).

14. TRADE AND OTHER RECEIVABLES

	2019	2018
	RMB'000	*RMB'000*
Trade receivables	**190,960**	306,718
Less: allowances for credit losses	**(55,703)**	(44,225)
	135,257	262,493
Bills receivables	**3,775,206**	890,674
Other receivables	**3,395,148**	3,270,753
	7,305,611	4,423,920

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:

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**12,150**	181,172
91–180 days	**50,086**	37,554
181–360 days	**46,022**	17,542
1-2 years	**23,068**	23,188
Over 2 years	**3,931**	3,037
Total	**135,257**	262,493

15. TRADE AND OTHER PAYABLES

	2019	2018
	RMB'000	*RMB'000*
Trade payables	**954,384**	1,054,681
Bills payables	**2,898,000**	1,904,300
Other payables and accrued expenses	**647,445**	725,407
	4,499,829	3,684,388

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

	2019	2018
	RMB'000	*RMB'000*
Within 90 days	**548,687**	506,694
91-180 days	**85,089**	161,883
181-365 days	**116,161**	187,038
Over 1 year	**204,447**	199,066
Total	**954,384**	1,054,681

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In 2019, the PRC government maintained its principle of seeking progress while maintaining stability, establishing supply-side structural reform as its philosophy to promote quality development, putting efforts on achieving stability in terms of employment, finance, foreign trade, foreign investment, investment and expectations and implementing a series of growth stabilizing measures to achieve stable economy. Stable growth of infrastructure investment, along with resilient growth in investment and new construction area of real estate, led to stable growth in demand for cement with good momentum over the year. The cement industry continued to implement elimination of backward production capacity, energy conservation and emission reduction, alternative production arrangements and other supply-side structural reform measures, improving the supply and demand relationship.

In 2019, the Group actively responded to the national macro trend and policy orientation, kept pace with the industry, implemented peak shifting production, promoted industry self-discipline, and made use of the government and the industry to treat the peak shifting production areas differently, allowing some ultra-low emission enterprises of the Group to conduct production during the "peak shifting" period to regulate the market supply and actively increase the supply in the time of market shortage. In respect of the optimization of corporate management, the Group further optimized its production process, raw material proportion, consumption reduction, standardization and upgrading, product cost management internally, further consolidated regional markets and expanded new markets externally, steadily increased the selling prices of products, and accomplished the trend of increase in both sales volume and price of products, resulting in a significant increase in the profit and gross profit margin of the Group's core business.

In 2019, the Group sold approximately 31.5 million tons of cement, an increase of approximately 2.1 million tons or 7.0% compared with approximately 29.4 million tons in 2018, of which, the sales volume of cement in Henan and the northeastern region was approximately 23.7 million tons and approximately 7.8 million tons, respectively, representing an increase of 1.4 million tons and increase of 0.7 million tons, respectively. In respect of the different types of cement, the Group further optimized its product mix and recorded a significant increase in the sales volume of cement above 42.5 to approximately 26.9 million tons, an increase of 3.0 million tons compared with approximately 23.9 million tons in 2018. Its share in total annual sales volume of cement in 2019 was 85.6%, representing an increase of 4.5% over the year. On the other hand, the sales volume of 32.5 cement was approximately 4.5 million tons, a decrease of 1.0 million tons compared with approximately 5.5 million tons in 2018. Its share in total annual sales volume of cement in 2019 was 14.4%, representing a decrease of 4.5% over the year. The share of 32.5 cement in the Group's total sales volume continued the downward trend in 2018.

In 2019, the Group sold approximately 2.5 million tons of clinker, a decrease of 0.3 million tons or 12.4% compared with approximately 2.8 million tons in 2018, of which, the sales volume of clinker in Henan and the northeastern region was approximately 0.3 million tons and approximately 2.2 million tons, respectively, representing a yearly decrease of 1.0 million tons for Henan and an increase of 0.7 million tons for the northeastern region.

In 2019, the Group sold approximately 4.4 million tons of aggregate, an increase of 1.2 million tons or 39.4% compared with approximately 3.2 million tons in 2018.

In 2019, the average selling price of cement of the Group increased to approximately RMB354.5 per ton from approximately RMB309.3 per ton in 2018, representing an increase of RMB45.2 per ton or approximately 14.6%, of which, the average selling price of cement in Henan and the northeastern region was approximately RMB378.6 per ton and approximately RMB281.6 per ton, respectively.

In 2019, the average selling price of clinker of the Group was approximately RMB275.1 per ton, a decrease of RMB14.1 per ton or 4.9% compared with approximately RMB289.2 per ton in 2018, of which, the average selling price of clinker in Henan and the northeastern region was approximately RMB305.7 per ton and RMB271.2 per ton, respectively.

In 2019, the average selling price of aggregate of the Group was approximately RMB56.8 per ton, an increase of RMB10.4 per ton or 22.3% compared with approximately RMB46.4 per ton in 2018.

In 2019, due to the increase in both the sales volume and the selling prices of products, the revenue of the Group was approximately RMB12,087.5 million, an increase of RMB2,026.9 million or 20.1% compared with approximately RMB10,060.6 million in 2018.

In 2019, the residual heat power generation of the Group was 796.9 million kW.h, an increase of approximately 113.0 million kW.h compared with the same period last year. The average comprehensive power consumption of clinker was 56.5kW.h/t, a decrease of 0.4kW.h/t compared with approximately 56.9kW.h/t in the same period last year.

In 2019, gross profit margin of the Group was approximately 37.3%, an increase of 4.8 percentage points compared with 2018. Profit before tax of the Group was approximately RMB2,667.7 million, an increase of RMB925.1 million or 53.1% compared with approximately RMB1,742.6 million in 2018. Excluding the impact of the approximately RMB18.5 million (2018: approximately RMB6.1 million) gains on fair value changes of derivative financial assets, the profit before tax was approximately RMB2,649.2 million, which increased by approximately RMB912.7 million or 52.6% as compared to approximately RMB1,736.5 million in 2018.

BUSINESS ENVIRONMENT

According to the National Bureau of Statistics, in 2019, the national fixed asset investment (excluding rural households) amounted to RMB55.15 trillion, representing a yearly increase of 5.4%, which was 0.5 percentage points lower than that of the corresponding period of last year. The national infrastructure investment (excluding electricity) increased by 3.8% year-on-year, which was the same as last year. The investment in real estate development in China amounted to RMB13.22 trillion, representing a yearly increase of 9.9%, which was 0.4 percentage points higher than that of the corresponding period of last year. The construction area of properties of real estate developers was 8,938 million square meters, representing a yearly increase of 8.7%. The area of new housing construction increased by 8.5% yearly.

According to the Henan Provincial Bureau of Statistics, based on preliminary calculations, the GDP of the province in 2019 was RMB5,425,920 million, representing an increase of 7.0% over the previous year in terms of comparable prices, 0.9 percentage points higher than the national average. During the year, fixed asset investment in the province (excluding rural households) increased by 8.0%, 2.6 percentage points higher than the national average, of which infrastructure investment increased by 16.1%. The investment in real estate development in the province increased by 6.4% during the year. The area of commercial housing sold was 142.7755 million square meters, representing an increase of 2.1%. The sales of commercial housing amounted to RMB900,998 million, representing an increase of 11.9%. The growth in fixed asset investment in the province, in particular the growth in infrastructure investment and real estate development investment, has led to an overall stable demand for cement in the region.

According to the Statistics Bureau of Liaoning Province, the GDP of the province in 2019 was RMB2,490.95 billion, representing a yearly increase of 5.5% in terms of comparable prices. Fixed asset investment increased by 0.5% over the previous year. In 2019, the investment in real estate development in the province increased by 9% over the previous year, of which the investment in residential properties increased by 12.5%. The production and sales volume of cement in the region maintained an overall growth.

CEMENT INDUSTRY

In 2019, the cement industry continued to implement a series of policies such as the government's supply-side reform and environmental protection, and implemented measures such as energy conservation and emission reduction, off-peak production and comprehensive rectification of mines. A number of backward production capacities was shut down and phased out. The industry concentration further increased, the self-discipline effect of the industry was significantly improved, and the supply and demand of the cement market was significantly improved. According to *Digital Cement*, a website of China Cement Association, the cement industry is expected to record a total profit of approximately RMB180 billion for the year, which is a record-breaking result.

Cement demand strongest in five years. According to the *Digital Cement*, the website of China Cement Association, the national cement output in 2019 was 2.33 billion tons, representing a yearly increase of 6.1% and the fastest pace of growth over the last five years. Cement clinker production even hit a record high with a total volume of 1.52 billion tons. By region, cement production in North China amounted to 194.86 million tons, representing a yearly increase of 6.32%. Cement production in Northeast China amounted to 83.86 million tons, representing a yearly increase of 13.12%. Cement production in East China amounted to 772.91 million tons, representing a yearly increase of 9.42%. Cement production in Central and Southern China amounted to 639.34 million tons, representing a yearly increase of 2.69%. Cement production in Southwest China amounted to 458.62 million tons, representing a yearly increase of 3.98%. Cement production in Northwest China amounted to 180.96 million tons, representing a yearly increase of 7.44%. Cement production in Northeast China recorded the fastest yearly growth in volume, with an increase of 13.12%, mainly due to the continuous expansion in the price gap between the North and South China and the large volume of cement sold from Northeast China to South China, which led to an increase in the capacity utilization of the cement companies in Northeast China.

Cement prices reached record high. According to the statistics of *Digital Cement*, the website of China Cement Association, the national price index of PO42.5 cement in 2019 was RMB439 per ton, representing an increase of RMB12 per ton as compared with RMB427 per ton in 2018, representing a yearly increase of 2.67%, reaching a record high. In terms of regions, Eastern China, Central and Southern China performed well with average prices of RMB479 per ton and RMB468 per ton respectively, representing an increase of 1.45% and 3.27% respectively as compared with the corresponding period of last year. From the perspective of the 31 provincial capitals and cities monitored by *Digital Cement*, the market price (including tax and freight) of PO42.5 cement was all over RMB300 per ton, out of which, the annual average price of 7 of them was over RMB500 per ton, including Lhasa, Chengdu, Guangzhou, Hangzhou, Jinan, Zhengzhou and Wuhan. In terms of the yearly increase in the average price throughout the year, Urumqi, Tianjin, Chengdu, Beijing and Zhengzhou recorded the largest increase, each representing a yearly increase of over RMB50 per ton.

Environmental protection and peak shifting production in place. Following the previous environmental protection policies, in 2019, the government continued to fight the battle against pollution, adhered to the same direction and maintained the same efforts to prevent pollution, highlighted the precise treatment of pollution, scientific treatment of pollution and legal treatment of pollution. In autumn and winter, the diffusion conditions of air pollutants were poor. Local governments, represented by Henan, Shandong and Beijing-Tianjin-Hebei, have enhanced air pollution control with their strongest effort in order to improve air quality in autumn and winter, and adopted stricter control measures for industrial enterprises, including the cement industry. In 2019, the cement industry actively responded to the national environmental protection policies, and the whole industry actively implemented a series of measures such as "alternative production, energy conservation and emission reduction, and comprehensive mine rectification", which not only helped to make positive contributions to environmental protection, energy conservation and emission reduction, but also suppressed the utilization of excess capacity in the industry. As a result, the supply of products has been effectively adjusted to a certain extent, and the supply and demand of the whole industry has been significantly improved.

Curbing new and eliminating backward on capacity control. In 2019, the cement industry continued to implement the policy of equivalent capacity replacement or reduction and new addition of capacity was strictly prohibited. In order to further promote the supply-side structural reform of the building materials industry, effectively promote the industry to high-quality development, accelerate the elimination and exit of backward production capacity, and effectively resolve the problem of overcapacity, according to the principles in "Guiding Opinions of the General Office of the State Council on Promoting the Steady Growth, Structural Adjustment and Efficiency Enhancement of the Building Materials Industry" (Guo Ban Fa [2016] No. 34) (《國務院辦公廳關於促進建材工業穩增長調結構增效益的指導意見》(國辦發[2016]34號)) and other related documents, in 2019, China Building Materials Federation and 15 professional associations jointly formulated the "Guiding Catalogue of Elimination of Obsolete Production Capacities in the Building Materials Industry" (《建材行業淘汰落後產能指導目錄》), among which, 10 elimination targets were listed in the cement industry, and further elimination of backward capacities has become a trend.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB12,087.5 million in 2019, representing an increase of RMB2,026.9 million, or an increase of 20.1%, from approximately RMB10,060.6 million in 2018.

The revenue from cement sales was approximately RMB11,159.0 million in 2019, representing an increase of RMB2,059.0 million, or 22.6%, as compared with 2018. Our sales volume of cement increased by 2.1 million tons or 7.0%, from approximately 29.4 million tons in 2018 to approximately 31.5 million tons in 2019. The Group took an active market strategy and continuously raised its selling prices and sales volume to face the changes in the demand and prices in the cement market, resulting in the significant increase in the sales revenue in 2019.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2019 were primarily used to satisfy the internal demand for cement production. Only approximately 2.5 million tons of the Group's clinkers were sold externally. Approximately RMB677.4 million of revenue generated from our clinker sales was recorded in 2019, representing a decrease of RMB135.9 million, or 16.7%, from approximately RMB813.3 million in 2018. The decrease in revenue was mainly due to the decrease in the prices of clinkers and sales volume.

In 2019, the Group's sales revenue from the central China region amounted to approximately RMB9,299.3 million, representing an increase of RMB1,614.7 million or 21.0% compared to approximately RMB7,684.6 million in 2018. The Group's sales revenue from the northeastern region of China amounted to approximately RMB2,788.2 million, representing an increase of RMB412.2 million or 17.3% compared to approximately RMB2,376.0 million in 2018.

In 2019 and 2018, revenue from our sales of cement accounted for approximately 92.3% and 90.4% of the total revenue, respectively. In 2019 and 2018, revenue from our sales of clinker accounted for approximately 5.6% and 8.1% of the total revenue, respectively. In 2019 and 2018, revenue from our sales of aggregate accounted for approximately 2.1% and 1.5% of the total revenue, respectively.

Cost of Sales

In 2019, the Company continued its efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our cost of sales was approximately RMB7,580.2 million in 2019, representing an increase of RMB793.0 million, or 11.7% as compared with 2018. The increase was primarily due to increase in cement production and the higher bulk purchase prices of certain raw materials for the production of cement and clinker.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In 2019, our costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 37.8%, 33.3% and 13.0%, respectively. During the period, our costs of raw materials, coal and electricity for production of cement per ton were approximately RMB74.6, RMB65.9 and RMB25.7, respectively, representing an increase of RMB10.2, a decrease of RMB2.2 and an increase of RMB0.6, respectively, as compared with 2018.

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

Our gross profit was approximately RMB4,507.4 million for the year ended 31 December 2019, representing an increase of RMB1,233.9 million, or 37.7%, from approximately RMB3,273.5 million last year. Our gross profit margin increased to approximately 37.3%

in 2019 from approximately 32.5% in 2018. The increase in gross profit margin was primarily due to the larger increase in selling prices of cement than the increase in unit cost of sales.

In 2019, the Group's segment profit from the central China region amounted to approximately RMB2,521.6 million, representing an increase of RMB788.7 million or 45.5% compared to approximately RMB1,732.9 million in 2018. The increase was due to the significant increase in the gross profit of the segment of that particular region. The Group's segment profit from the Northeastern region amounted to approximately RMB292.1 million, representing an increase of a profit of RMB131.5 million or 81.9% compared to a segment profit of approximately RMB160.6 million in 2018.

Other income

Other income was approximately RMB580.5 million for the year ended 31 December 2019, representing an increase of RMB31.4 million, or an increase of 5.7%, from approximately RMB549.1 million for the year ended 31 December 2018. The increase was primarily due to the increase in value added tax subsidies for the integrated use of resources.

Gains on fair value changes of derivative financial assets

As reference to the circular dated 31 October 2014 (the "**Circular**"), the amended deed of non-competition ("**Amended Non-competition Deed**") undertaking was entered into by Tianrui Group Company Limited ("**Tianrui Group**"), controlled by Mr. Li Liufa, a non-executive Director of the Company, in favour of the Company. Under the Amended Non-competition Deed, Tianrui Group granted the Group the option ("**Option**") to acquire the business which is or may be in competition, directly or indirectly, with the business of the Group (the "**New Business Opportunity**").

Under the Amended Non-competition Deed, the Company has the option to acquire the New Business (as defined in the Circular) or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable than those applicable to the acquisition of the same New Business Opportunity by Tianrui Group in the first instance, provided that the Company shall reimburse Tianrui Group for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the shareholders as a whole; and (b) any requirement under the Listing Rules in relation to the acquisition of the New Business and any interest in it.

Under the Amended Non-competition Deed, the Group is entitled to exercise the Option at any time during the Restricted Period as defined in the Circular.

The fair value of the Option at the end of December 2019 was about RMB49,427,000 and the Company has not exercised the Option. The revenue of the change in fair value during the year in the amount of about RMB41,839,000 was recognized in profit or loss in the consolidated financial statements.

Selling and Distribution Expenses

For the year ended 31 December 2019, selling and distribution expenses were approximately RMB379.8 million, representing an increase of RMB38.4 million as compared to approximately RMB341.4 million for the year ended 31 December 2018, which was mainly due to the increase in transportation and port handling fees resulting from the increase of sales volume of cement in the current year.

Administrative Expenses

Administrative expenses were approximately RMB504.3 million for the year ended 31 December 2019, representing an increase of RMB69.5 million, or an increase of 16.0%, from approximately RMB434.8 million for the year ended 31 December 2018. The increase in administrative expenses was mainly due to the significant increase in research and development expenses as a result of the increased investment in research and development during 2019.

Other Expenses

Other expenses were approximately RMB83.8 million for the year ended 31 December 2019, representing a decrease of approximately RMB22.1 million, or a decrease of 20.8%, from approximately RMB105.9 million for the year ended 31 December 2018. The decrease in other expenses was mainly due to the decrease in expenses incurred in temporary suspension period due to seasonal effect.

Finance Costs

Finance costs were approximately RMB1,158.0 million for the year ended 31 December 2019, representing an increase of RMB36.0 million, or an increase of 3.2%, from approximately RMB1,122.0 million for the year ended 31 December 2018. The increase was primarily attributable to the increase in the financing scale of the Company.

PROFIT BEFORE TAX

As a result of the foregoing, our profit before tax was approximately RMB2,667.7 million for the year ended 31 December 2019, representing an increase of approximately RMB925.1 million, or approximately 53.1%, from approximately RMB1,742.6 million for the year ended 31 December 2018.

Excluding the impact of the approximately RMB18.5 million (2018: approximately RMB6.1 million) gains on fair value changes of derivative financial assets, the profit before tax is approximately RMB2,649.2 million, which increased by RMB912.7 million or 52.6% as compared to approximately RMB1,736.5 million for the year ended 31 December 2018.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB733.2 million for the year ended 31 December 2019, representing an increase of RMB242.4 million, or about 49.4% from approximately RMB490.8 million for the year ended 31 December 2018, which was mainly due to the significant increase of operating income other than the gain from changes in fair value of financial derivatives in the profit before tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, profit attributable to owners of the Company for the year ended 31 December 2019 was approximately RMB1,819.4 million, representing an increase of RMB606.9 million, or about 50.0%, from approximately RMB1,212.5 million for the year ended 31 December 2018. The net profit margin increased from 12.1% for the year ended 31 December 2018 to 15.1% for the year ended 31 December 2019.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from approximately RMB4,423.9 million as at 31 December 2018 to approximately RMB7,305.6 million as at 31 December 2019, mainly due to the increase in bills receivables and prepayments to suppliers due to the increase in sales and procurement.

Amounts due from an associate

The amounts due from an associate of approximately RMB1,037.3 million as at 31 December 2019 (2018: approximately RMB944.9 million) represents the advance payment paid to Ruiping Shilong for the clinker purchased in next few years under the Clinker Supply Framework Agreement.

Inventories

Inventories increased from approximately RMB874.9 million for the year ended 31 December 2018 to approximately RMB1,061.3 million for the year ended 31 December 2019, primarily due to the increase in the inventory amount during the year 2019.

Restricted balances and other liabilities

On 29 December 2018, the Group and CCB Financial Asset Investment Co., Ltd ("**CCB**") entered into a capital injection agreement, share repurchase agreement and its supplementary agreement (collectively the "**Agreements**") pursuant to which CCB conditionally agreed to inject capital into five wholly-owned subsidiaries of the Company with an aggregate investment amount of RMB2,000,000,000. According to the Agreements, the Group is required to repurchase the shares of these subsidiaries held by CCB at the investment amount plus a premium as stipulated in the Agreements. In addition, Tianrui Group has also entered into a profit guarantee agreement with CCB to guarantee a minimum yearly return rate of the investment made by CCB.

For the year ended 31 December 2018, the conditions to complete the capital injection into these subsidiaries have not been fulfilled. Pursuant to the Agreements, certain amounts of the capital fund injected by CCB are designated to use to settle certain existing borrowings of these subsidiaries.

For the year ended 31 December 2018, the amount of RMB2,000,000,000 received from CCB was placed in a bank account of the Group which is restricted as to use before the completion of the capital injection.

For the year ended 31 December 2019, the balance was nil since the amount of RMB2,000,000,000 received from CCB and placed in a bank account of the Group was utilized or returned to CCB after the completion of capital injection into the five target companies.

Cash and cash equivalents

Cash and bank balance increased from approximately RMB711.8 million as at 31 December 2018 by RMB1,117.0 million or 156.9% to approximately RMB1,828.8 million as at 31 December 2019, primarily due to the Group's deposit of RMB874.4 million with Tianrui Finance was listed in the cash and bank balance as at the end of the current year, while the Group's deposit of RMB644.9 million with Tianrui Finance was listed in the balance of amounts due from associates as at the end of the previous year.

Borrowings

For the year ended 31 December 2019, the amount of total borrowings and debentures (including corporate bonds) of the Group increased by approximately RMB1,920.6 million or 18.5% to approximately RMB12,315.1 million from approximately RMB10,394.5 million last year. Borrowings due within one year and short-term debentures increased from approximately RMB5,853.7 million for the year ended 31 December 2018 to RMB6,702.4 million for the year ended 31 December 2019; borrowings due after one year, guaranteed mid-term bills, long-term corporate bonds and other financial liabilities increased from approximately RMB4,540.8 million for the year ended 31 December 2018 to approximately RMB5,612.7 million for the year ended 31

December 2019; the Group has been repaying the debts in accordance with the terms of the loan agreement, and the Group had unutilized bank credit facilities of approximately RMB576.1 million for the year ended 31 December 2019.

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 sources will continue to be the principal financing in the future and expects the cash flow will be sufficient to fund the ongoing business requirements. Meanwhile, the Company will further broaden the financing channels to improve its capital structure.

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2019, the Group was not involved in any material investments, acquisitions or disposals.

GEARING RATIO

For the year ended 31 December 2019, the gearing ratio was approximately 59.9%, representing a decrease of 1.3 percentage points from approximately 61.2% for the year ended 31 December 2018. The change of gearing ratio was due to the increase in equity of the owners.

For the year ended 31 December 2019, the current gearing ratio was approximately 1.2, representing an increase of 21.8% from approximately 1.0 for the year ended 31 December 2018. The quick ratio was approximately 1.1, representing an increase of 21.7% from approximately 0.9 for the year ended 31 December 2018. Changes of the above ratios were due to the increase in current assets except inventory and the decrease in current liabilities.

For the year ended 31 December 2019, the debt equity ratio was approximately 1.5, representing a decrease of 5.5% from approximately 1.6 for the year ended 31 December 2018.

Notes:

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

2. Current ratio = current assets/current liabilities;

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

4. Debt Equity ratio = Total liabilities/equity interest, of which, equity interest includes minority interest and non-controlling interest

NET GEARING RATIO

For the year ended 31 December 2019, the net gearing ratio was approximately 52.0%, representing a decrease of 5.9 percentage points from approximately 57.9% for the year ended 31 December 2018. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2019 was approximately RMB1,257.8 million (2018: approximately RMB303.8 million) and capital commitments for the year ended 31 December 2019 was approximately RMB346.0 million (2018: approximately RMB399.3 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2019, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,079.3 million (2018: approximately RMB3,879.8 million).

CONTINGENT LIABILITIES

For the year ended 31 December 2019, other than contingent liabilities arising from the provision of guarantee to related parties amounting to approximately RMB1,112.6 million (2018: approximately RMB1,132.8 million), the Group did not have other contingent liabilities. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees according to the 2019 Framework Agreement in Relation to Provision of Mutual Guarantees, the details of which are set out in the circular dated 4 December 2019.

SIGNIFICANT INVESTMENTS

For the year ended 31 December 2019, the Group did not hold any material investment, make any material investment nor acquire any capital assets during the reporting period.

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 monitor the utilization of bank borrowings and ensures compliance with loan covenants.

Exchange rate risk

Certain bank balances and borrowings of the Group are denominated in Hong Kong Dollar ("**HK$**") or United States Dollar ("**US$**"), therefore exchange rate movement exposure is incurred. Currently, the Group does not have any foreign currency hedge strategy in relation to foreign currency exposure. However, the management will closely monitor exchange rate risk in HK$ and US$ and will consider to hedge material currency exposure if necessary.

EMPLOYEES AND REMUNERATION POLICY

For the year ended 31 December 2019, the Group had 7,491 employees (2018: 7,465). In 2019, the employees' cost (including remuneration) was approximately RMB500.3 million (2018: approximately RMB457.8 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

2020 is the final year of the "13th Five-Year Plan" and the key period for building a moderately prosperous society in all respects. It is expected that the macroeconomy will continue to maintain within a reasonable range. In respect of the establishment of the infrastructure construction, the State issued the special debt quota of local governments in advance, reduced the minimum capital ratio of some infrastructure projects, accelerated the construction of projects for reinforcing underperformed segments, and promoted the commencement of construction of major projects, and the growth of infrastructure investment is expected to pick up. In terms of real estate, the central government has clarified not to use real estate as a means to stimulate the economy in the short term, the real estate regulation will be mainly for "stability", and the real estate investment will remain strong and resilient. In general, infrastructure construction and real estate investment will continue to provide strong support and drive the demand for cement.

The sudden outbreak of the novel coronavirus (COVID-19) (the "**Outbreak**") at the beginning of 2020 has increased the uncertainty of the overall economic development, and the operation rate in construction sites in the first quarter has decreased year-on-year. At present, the impact of the epidemic on the overall economy is still uncertain. However, in order to reduce the impact of epidemic on the economy, the government has started to steadily promote the resumption of production in various industries. From the central government to local governments, a series of policies to stimulate the economy, including the "new infrastructure", have been and are in the process of being introduced, which includes policies to increase investment in infrastructure construction and stabilize real estate market. The successive introduction of these policies and the demand generated from the subsequent expedited work period and supplementary work period upon completion of projects are expected to make up for the impact on the early stage of the cement industry, which may subsequently stimulate greater demand for construction materials such as cement and aggregate.

2020 is the final year of the Three-Year Action Plan for Winning the Battle for a Blue Sky (《打贏藍天保衛戰三年行動計劃》). Air pollution control will not be relaxed. Local control measures will be more stringent. In addition, the tightened control over overloading of road transport will help control the supply side of cement. As a result, cement price is expected to experience stable fluctuations at a high level.

In 2020, the Group will continue to leverage on its regional advantages and advanced operational management and control capabilities, and leverage on the promotion of "intelligent factories", ultra-low emission, "green mines", construction of coordinated solid waste and hazardous waste treatment projects, and continue to develop its aggregate business, so as to further increase the Group's operating revenue and gross profit margin and maintain the Group's competitive advantages in the region.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Company regards the fulfillment of environmental and social responsibilities as one of the important strategies for the corporate development. As always, the Company assumes social responsibilities, protects the ecological environment and achieves sustainable development. The Company will focus on the rational use of resources and maintain ecological balance to enhance the Company's core competitiveness and brand value. In 2019, the Company earnestly implemented various national environmental protection laws and regulations, promoted energy conservation, emission reduction and pollution prevention, and several factories in Zhengzhou were accredited for low-carbon products. The Company strengthened the ecological restoration and greening of mines, and a number of branches and subsidiaries received awards such as provincial and municipal green mines and green factories. The Company adheres to the people-oriented principle, pays attention to the skill training of employees, carries out hazard factors detection and labor protection to protect the health and rights of employees. At the same time, the Company actively participated in student assistance and poverty alleviation activities to enhance its social value.

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 2019 to 31 December 2019, the Company has adopted the code provisions set out in the Corporate Governance Code set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Save as disclosed in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2019.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to now. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an Executive Committee, which was composed of three executive Directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not be 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 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2019.

REVIEW OF UNAUDITED ANNUAL RESULTS

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 includes 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.

Commencing from the beginning of 2020, the occurrence of the Outbreak adversely affected all provinces of the PRC. As the Group has relatively material operations in a total of three subsidiaries in Xinyang and Nanyang, Henan. These two cities, which border Hubei, are seriously affected by the Outbreak and subject to relatively strict epidemic prevention and control measures, and the restriction on business activities and travel of the epidemic prevention and control measures imposed accordingly has caused the Company's auditors to delay travelling to certain onsite locations of the aforesaid subsidiaries to conduct inspections and review original documents to mid-late March, preventing the Company's auditors from completing certain auditing and reporting processes for the Group's annual results for the year ended 31 December 2019.

Accordingly, as of the date of this announcement, certain auditing and reporting processes for the annual results of the Group for the year ended 31 December 2019 have not been completed, therefore the Company and its auditors are not yet in a position to agree on the final annual results of the Group for the year ended 31 December 2019 as required under Rule 13.49(2) of the Listing Rules.

The unaudited annual results as set out in this announcement have been reviewed and agreed by the Board and the audit committee of the Company.

Notwithstanding the auditors' incomplete auditing process and other uncertainties, based on the information currently available to the Board as at the date of this announcement, the Board currently does not anticipate any material deviations (if any) in the financial position presented by the unaudited financial results of the Group set out in this announcement from that to be presented by the audited annual results of the Group for the year ended 31 December 2019.

PUBLICATION OF FURTHER ANNOUNCEMENT(S)

Following the completion of the auditing and reporting process, the Company will issue further announcement(s) in relation to the audited results for the year ended 31 December 2019 as agreed by the Company's auditor and the material differences (if any) as compared with the unaudited annual results contained herein.

The Company expects that the audited annual results of the Group for the year ended 31 December 2019 as agreed by the Company's auditor will be obtained on or before 10 April 2020.

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

During the year ended 31 December 2019, 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.

CLOSURE OF REGISTER OF MEMBERS

For the purposes of determining the eligibility of the shareholders of the Company to attend, speak and vote at the forthcoming annual general meeting of the Company, the register of members of the Company (the "**Register of Members**") will be closed as follow:

Latest time to lodge transfer documents for registration with the Company's share registrar office in Hong Kong	At 4:30 p.m. on 26 May, 2020
Record Date	1 June, 2020
Closure of the Register of Members	27 May 2020 to 1 June 2020 (both days inclusive)

For purposes mentioned above, all properly completed transfer forms accompanied by the relevant share certificates must be lodged for registration with the Company's share registrar office in Hong Kong, Computershare Hong Kong Investor Services Limited, at Rooms 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than the aforementioned latest time.

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2019.

PUBLICATION OF UNAUDITED ANNUAL RESULTS ANNOUNCEMENT 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 2019 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 Liufa
Chairman

Ruzhou City, Henan Province, PRC, 31 March 2020

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

Chairman and Non-executive Director
Mr. Li Liufa

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

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