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Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa ("Chairman Li")

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

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

REGISTERED OFFICE

Cricket Square
Hutchins Drive
PO Box 2681
Grand Cayman
KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

Corporate Information

PLACE OF BUSINESS IN HONG KONG

Room 2504, 25/F.
Lippo Centre Tower 1
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Admiralty, Hong Kong

COMPANY WEBSITE

http://www.trcement.com

JOINT COMPANY SECRETARIES

Mr. Li Jiangming
Ms. Ng Ching Mei

AUTHORIZED REPRESENTATIVES

Mr. Li Jiangming
Ms. Ng Ching Mei

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

Codan Trust Company (Cayman) Limited
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KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
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88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

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89 Queensway
Admiralty, Hong Kong

As to PRC law

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Xicheng District
Beijing
PRC

HONG KONG SHARE REGISTRAR

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

Financial Highlights

	For the six months ended 30 June		Percentage of Change
	2020	2019	
	RMB'000	RMB'000	
Revenue	**5,253,673**	5,494,670	−4.4%
Gross profit	**1,735,625**	1,833,188	−5.3%
Profit	**772,239**	926,303	−16.6%
Of which: Profit attributable to owners of the Company	**718,959**	887,005	−18.9%
Basic earnings per share (RMB)	**0.24**	0.30	−18.9%

	As at 30 June 2020	As at 31 December 2019	Percentage of Change
	RMB'000	RMB'000	
Total assets	**30,832,878**	32,324,304	−4.6%
Of which: Current assets	**14,145,155**	14,728,324	−4.0%
Total liabilities	**17,134,548**	19,348,713	−11.4%
Of which: Current liabilities	**11,722,203**	12,358,194	−5.1%
Total equity	**13,698,330**	12,975,591	+5.6%
Of which: Equity attributable to owners of the Company	**13,558,522**	12,839,563	+5.6%

Management Discussion and Analysis

BUSINESS REVIEW

In the first half of 2020, the economy of the PRC suffered severe impact from COVID-19. With the gradual and effective prevention and control of the pandemic, operation and production resumption and economic stimulus policies promulgated in different regions, the decline in investment tapered and the economic data gradually showed a rising trend. In the first quarter, under the effect of the pandemic, the demand in the cement market was stagnant and the price decreased. The downstream market stabilized and resumed a gradual growth in the second quarter, with its demand progressively increased. In the first half of 2020, the Group proactively made plans and reasonable layouts, in order to facilitate equipment inspection and maintenance and resumption of operation and production while maintaining good pandemic control and prevention. With the rising production and sales volume, the Group has mitigated the effect of the pandemic to a certain degree and achieved relatively favorable results.

As of 30 June 2020, the Group owned 20 clinker production lines, 59 cement grinder production lines and 8 aggregate production lines, with a total annual production capacity of approximately 28.4 million tonnes of clinker, 56.7 million tonnes of cement and 19.2 million tonnes of aggregate. According to the Action Plan for Transformation and Development of Cement Industry in Henan Province (2018-2020), cement grinding equipment with a diameter of 3 meters or less will be phased out. The Group actively responded to the transformation policy of the cement industry, and proposed to phase out one of the Group's grinding equipment with a diameter of 3 meters located in Linru Town, Ruzhou City. It was announced in the Announcement No. 2 on Elimination of Obsolete Production Capacity in Henan Province issued by the Department of Industry and Information Technology of Henan Province on 31 July 2020 that the elimination of such grinding equipment will be completed by 31 December 2020, and the production capacity is expected to be reduced by 300,000 tonnes.

In the first half of 2020, the sales volume of cement of the Group amounted to 15.8 million tonnes, representing an increase of approximately 1.2 million tonnes or approximately 8.2% year-on-year as compared to approximately 14.6 million tonnes in the same period of 2019. The average price was approximately RMB299.0 per tonne, representing a decrease of RMB52.0 per tonne or 14.8% compared to the same period last year.

In the first half of 2020, the sales volume of aggregate of the Group amounted to approximately 7.4 million tonnes, representing an increase of approximately 5.5 million tonnes or 291.3% as compared to approximately 1.9 million tonnes in the same period of 2019. The average price was approximately RMB46.3 per tonne, representing a decrease of RMB3.6 per tonne or 7.3% compared to the same period last year.

In the first half of 2020, the Group sold approximately 0.7 million tonnes of clinker externally, a decrease of approximately 0.3 million tonnes as compared to approximately 1.0 million tonnes in the same period of 2019. During the period, the clinker we produced was mainly used to meet the Group's internal need of cement production.

In the first half of 2020, the Group recorded a revenue of RMB5,253.7 million, representing a decrease of approximately RMB241.0 million or 4.4% compared to the same period in 2019. The profit attributable to owners of the Company amounted to approximately RMB719.0 million, representing a decrease of approximately RMB168.0 million or approximately 18.9% from approximately RMB887.0 million in the first six months of 2019.

Management Discussion and Analysis

BUSINESS ENVIRONMENT

In the first half of 2020, under the sudden outbreak of COVID-19, China's investment in fixed assets and infrastructure declined by approximately 3.1% and approximately 2.7% year-on-year, respectively. Among which, investment in certain infrastructure achieved positive growth. Investment in real estate development rebounded, recording an increase of approximately 1.9% year-on-year in the first half of the year.

In the first half of 2020, Henan Province's investment in fixed assets (excluding rural households), infrastructure (excluding electricity, heat, gas and water production and supply) and real estate development increased by approximately 2.6%, 0.9% and 2.6% year-on-year, respectively.

In the first half of 2020, Liaoning Province's investment in fixed assets, infrastructure and real estate development decreased by approximately 2.7%, increased by approximately 8.1% and decreased by approximately 0.6% year-on-year, respectively.

The above statistics from the National Bureau of Statistics shows that: (1) PRC's investment in fixed assets decreased year-on-year, but the investment in fixed assets of Henan Province, where the Group located in, increased year-on-year. While Liaoling Province followed the national trend, it experienced a slightly smaller degree of decline; (2) despite PRC's investment in infrastructure decreased year-on-year, the investment in infrastructure of Henan Province, where the Group is located, recorded a slight increase year-on-year, while Liaoning saw a relatively large increase of 8.1% year-on-year; (3) while the investment in real estate development of the PRC and Henan Province, where the Group is located, both experienced a year-on-year increase, the degree of growth for Henan Province is slightly higher than that of the PRC. Liaoning Province, on the other hand, saw a slight year-on-year decrease.

In the first half of 2020, the Group mainly operated in Henan Province and Liaoning Province. In particular, their governmental investment in infrastructure were higher than that of the national average, providing corresponding support for the demand of cement market in the area.

CEMENT INDUSTRY

In the first half of 2020, due to the pandemic, cement production and sales within the cement industry came to a near halt. Given the quick rebound of growth rate of investment in infrastructure and real property development, demand for cement and relevant products increased significantly, which drove the recovery of national production and sales of cement and gravel aggregate in each month. In the first half of 2020, the national cement production volume accumulated was approximately 998 million tonnes, representing a decrease of approximately 4.8% year-on-year. The decline rate of the first quarter in the first half of the year decreased by close to approximately 20 percentage points as compared to the previous quarter. Based on the quarterly trend, the first quarter experienced a significant decline, with its national cement production and sales recorded a steep decline of approximately 23.93%, while that of the second quarter sharply rebounded, with cement production achieving a year-on-year increase of approximately 6.9%.

In recent years, following the progressive tightening of environmental requirements and the change of the aggregate market structure, the cement sees opportunities in extending their business to gravel aggregate. Some large cement enterprises, in particular, have speeded up their planning on gravel aggregate production lines. Gravel aggregate, with its high market demand and gross profit margin, is gradually becoming the new profit growth driver of the cement industry, boasting a relatively positive market prospect.

Management Discussion and Analysis

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,253.7 million in the first half of 2020, representing a decrease of RMB241.0 million, or 4.4%, from approximately RMB5,494.7 million in the same period of 2019.

Among others, the revenue from cement sales was approximately RMB4,736.7 million, representing a decrease of 7.8% compared to RMB5,138.8 million in the same period of 2019. The sales volume of cement increased by 1.2 million tonnes or 8.2%, from approximately 14.6 million tonnes in the first half of 2019 to approximately 15.8 million tonnes in the same period of 2020. The decrease in revenue was mainly attributable to the decrease in the selling price of cement.

Revenue from our sales of aggregate amounted to approximately RMB341.0 million, representing an increase in RMB247.4 million, or 262.8%, from approximately RMB94.2 million in the same period of 2019. The sales volume of aggregate amounted to approximately 7.4 million tonnes, representing an increase of approximately 5.5 million tonnes or 291.3% as compared to approximately 1.9 million tonnes in the same period of 2019. The increase in revenue was mainly attributable to the increase in the sales volume of aggregate due to the completion and commencement of operation of the new aggregate production line.

Clinker is a semi-finished product for the production of cement. The clinkers produced in the first half of 2020 were primarily used to satisfy the internal demand for cement production. Only approximately 0.7 million tonnes of the Group's clinkers were sold externally. Approximately RMB175.4 million of revenue generated from clinker sales was recorded in the first half of 2020, representing a decrease of RMB86.3 million, or 33.0%, from approximately RMB261.7 million in the same period of 2019. The revenue decrease was mainly due to the decrease in the selling price and sales volume of clinker.

In the first half of 2020, the Group's sales revenue from the central China region amounted to approximately RMB4,082.5 million, representing a decrease of RMB325.3 million or 7.4% compared to approximately RMB4,407.8 million in the same period of 2019. The Group's sales revenue from the Northeastern region of China amounted to approximately RMB1,171.2 million, representing an increase of RMB84.4 million or 7.8% compared to approximately RMB1,086.8 million in the same period of 2019.

Revenue from sales of cement was approximately 90.2% and 93.5% of the total revenue in the first half of 2020 and the first half of 2019, respectively. Revenue from sales of clinker was approximately 3.3% and 4.8% of the total revenue in the first half of 2020 and the first half of 2019, respectively. In the first half of 2020 and the first half of 2019, revenue from sales of aggregate was approximately 6.5% and 1.7% of the total revenue.

Cost of Sales

In the first half of 2020, we continued our efforts in further decreasing energy consumption and the price of rough coal on the unit production costs of cement and clinker by leveraging economies of scale and through centralized procurement. During the Reporting Period, our cost of sales was approximately RMB3,518.0 million, a year-on-year decrease of RMB143.5 million or 3.9% over the first half of 2019, mainly due to the decrease in procurement price of rough coal and some of the raw materials.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2020, our costs of raw materials, coal and electricity as a percentage of cost of sales were 42.3% (2019: 37.2%), 31.2% (2019: 37.3%) and 14.4% (2019: 13.6%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity for the production of cement per tonne were RMB89.9 (2019: RMB87.1), RMB66.3 (2019: RMB87.5) and RMB30.6 (2019: RMB32.0) respectively, representing increase of RMB2.8, decrease of RMB21.2 and decrease of RMB1.4 respectively over the same period of 2019.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB1,735.6 million in the first half of 2020, representing a decrease of RMB97.6 million or 5.3% from approximately RMB1,833.2 million in the same period of last year. Our gross profit margin of 33.0% in the first half of 2020 was stable as compared to 33.4% in the same period of 2019. The primary reason for the decrease of gross profit was that the impact of decrease of cement price outweighed the increase in sales volume and the decrease of costs for the first half of 2020.

In the first half of 2020, the Group's segment profit from the central China region amounted to approximately RMB932.7 million, representing a decrease of RMB226.6 million or 19.5% compared to approximately RMB1,159.3 million in the same period of 2019. The decrease was due to the decrease in the selling prices of cement of that particular region. The Group's segment profit from the Northeastern region amounted to approximately RMB88.3 million, representing a decrease of RMB4.9 million or 5.3% compared to a segment profit of approximately RMB93.2 million in the same period of 2019, mainly due to the increase in transportation expenses in the Northeastern region.

Other income

Other income was approximately RMB296.5 million in the first half of 2020, representing a decrease of RMB9.2 million or 3.0% from approximately RMB305.7 million in the same period of 2019. The decrease was primarily due to the decrease in value-added tax refund.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB171.4 million in the first half of 2020, representing an increase of RMB16.4 million or 10.6% from approximately RMB155.0 million in the first half of 2019, mainly due to the increase in sales volume of cement.

Administrative Expenses

Our administrative expenses were approximately RMB202.1 million in the half year ended 30 June 2020, representing an increase of RMB29.7 million or 17.3% from approximately RMB172.4 million in the half year ended 30 June 2019, which was mainly attributable to the increase of relevant expenses as a result of the implementation of "Green Mines" project.

Research and Development Expenses

Our research and development expenses were approximately RMB71.5 million in the six months ended 30 June 2020 (six months ended 30 June 2019: nil), which was mainly due to the Company's investment in the research and development of new technologies, new processes and new products in the first half of 2020.

Finance Costs

Finance costs were approximately RMB565.7 million in the first half of 2020, which remained stable as compared with RMB563.2 million in the first half of 2019.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB1,012.5 million in the first half of 2020, representing a decrease of approximately RMB231.4 million or approximately 18.6% from approximately RMB1,243.9 million in the first half of 2019.

Management Discussion and Analysis

Income Tax Expenses

Our income tax expenses were approximately RMB240.3 million in the first half of 2020, representing a decrease of RMB77.3 million or 24.4% from approximately RMB317.6 million in the first half of 2019, which was mainly due to the decrease in profit before tax.

Profit Attributable to Owners of the Company and Net Profit Margin

As a result of the foregoing, our profit attributable to owners of the Company in the first six months of 2020 was approximately RMB719.0 million, representing a decrease of RMB168.0 million or 18.9% from approximately RMB887.0 million in the first six months of 2019. Net profit margin was 13.7% in the first six months of 2020, representing a decrease of 2.4 percentage points from the same period of 2019.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB7,305.6 million as at 31 December 2019 to RMB5,858.9 million as at 30 June 2020, mainly due to the recovery of cash from bills receivables matured in the end of the previous period.

Inventories

Inventories increased from RMB1,061.3 million as at 31 December 2019 to RMB1,405.0 million as at 30 June 2020, mainly due to the increase in sales volume resulting in the increase in inventory of raw materials and finished products.

Amounts due from an associate

The amounts due from an associate of approximately RMB1,029.9 million as at 30 June 2020 (2019: approximately RMB1,037.3 million) represents the advance payment paid to Ruiping Shilong for the clinker purchase in the coming years under the Clinker Supply Framework Agreement.

Cash and Cash Equivalents

Cash and bank balance increased from RMB1,828.8 million as at 31 December 2019 to RMB1,955.4 million as at 30 June 2020, primarily due to the effect of cash from operation activities, net of cash outflow from investing activities and financing activities.

Trade and other payables

Trade and other payables decreased from RMB4,499.8 million as at 31 December 2019 to RMB4,199.9 million as at 30 June 2020, mainly due to the decrease in construction costs payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB11,008.8 million as at 30 June 2020, a decrease of approximately RMB1,306.3 million from RMB12,315.1 million as at 31 December 2019. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) increased from RMB6,702.4 million as at 31 December 2019 to RMB6,950.4 million as at 30 June 2020. Borrowings due after one year (including long-term bonds and corporate bonds) decreased from RMB5,612.7 million as at 31 December 2019 to RMB4,058.4 million as at 30 June 2020, representing a decrease of approximately 27.7%.

The Group has been repaying the debts as scheduled in accordance with the terms of the relevant loan agreements. As at 30 June 2020, we had unutilized banking facilities of approximately RMB639.9 million (31 December 2019: approximately RMB576.1 million).

Principal Sources of Liquidity

The Group's principal sources of liquidity have been cash generated from operations and borrowings from banks and others. We have used cash from such sources for working capital, production facility expansions, other capital expenditures and debt repayment. We anticipate these uses will continue to be our principal ways of financing in the future. We expect our cash flow will be sufficient to fund our ongoing business requirements. Meanwhile, we will further broaden our financing channels to improve our capital structure.

GEARING RATIO, CURRENT RATIO, QUICK RATIO, DEBT EQUITY RATIO

As at 30 June 2020, our gearing ratio was 55.6%, representing a decrease of 4.3 percentage points from 59.9% as at 31 December 2019. As at 30 June 2020, our current ratio was 1.2, representing an increase of 1.3% from 1.2 as at 31 December 2019; our quick ratio was 1.1, representing a decrease of 1.7% from 1.1 as at 31 December 2019; our debt equity ratio was 1.3, representing a decrease of 0.2 or 16.1% from 1.5 as at 31 December 2019.

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 interests, of which equity interests include minority interests or non-controlling interests

NET GEARING RATIO

As at 30 June 2020, our net gearing ratio was 38.2%, representing a decrease of 13.8 percentage points from 52.0% as at 31 December 2019. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure during the first half of 2020 was approximately RMB333.0 million (for the first half of 2019: approximately RMB199.3 million) and capital commitment as at 30 June 2020 was approximately RMB298.2 million (as at 31 December 2019: approximately RMB346.0 million). Both capital expenditure and capital commitment were mainly related to the construction of production facilities for cement and aggregate businesses and the purchase of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure by cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2020, the carrying amount of assets of the Group pledged to secure bank borrowings amounted to approximately RMB3,794.2 million (as at 31 December 2019: approximately RMB4,079.3 million).

CONTINGENT LIABILITIES

As at 30 June 2020, other than the contingent liabilities arising from the provision of guarantee to connected parties amounting to approximately RMB1,918.7 million (31 December 2019: RMB1,581.6 million), we did not have other contingent liabilities. The guarantees provided to the connected party have been provided pursuant to Tianrui Cement Guarantees according to the 2019 Framework Agreement Provision of Mutual Guarantees, details of which were set out in the circular dated 5 December 2019.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

During the Reporting Period, the Group has not involved in any significant investment, acquisition or disposal.

Management Discussion and Analysis

MATERIAL LITIGATION

During the Reporting Period, the Group was not involved in any material litigation or arbitration. To the best of the Directors' knowledge and belief, there was no outstanding or pending litigation or claim of material importance against the Group.

IMPORTANT EVENTS SINCE THE END OF THE REPORTING PERIOD

Save and except the facilities obtained by the Group as disclosed in the announcements of the Company dated 13 August 2020 and 25 August 2020, there is no important event affecting the Group since the end of the Reporting Period.

MARKET RISKS

Exchange Rate Risk

Certain bank balances and borrowings of the Group are denominated in Hong Kong Dollar ("HK$") or United States Dollar ("US$"), therefore 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 hedging material currency exposure if necessary.

Interest Rate Risk

The Group is exposed to interest rate risk resulting from our long-term and short-term borrowings. The Group reviews our borrowing profiles regularly to monitor our interest rate risk, and will consider hedging significant interest rate exposure when necessary. As the Group's exposure to interest rate risk relates primarily to our interest-bearing bank loans, we keep our borrowings at variable rates and seek to minimize fair value interest rate risk, and to manage our interest rate risk exposure from all of our 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 of our 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 appropriate by our management to replenish funding of our operations and mitigate the effects of fluctuations in (both actual and forecast) cash flows. Our management also monitors the utilization of bank borrowings and ensures compliance with loan covenants.

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2020, the Group had 7,633 employees (as at 30 June 2019: 7,559). As at 30 June 2020, staff costs (including remuneration) was approximately RMB234.4 million (for the same period of 2019: approximately RMB232.9 million). The remuneration policies, bonus and training programs for employees of the Group were implemented on an ongoing basis.

Management Discussion and Analysis

PROSPECTS

In the second half of 2020, the PRC's economy still faces various pressures, such as the risk for local and foreign rebound of COVID-19 and the increasingly grim and complicated international economic climate. In response to the perilous situation, the PRC government timely implements the "new infrastructure, new urbanization initiatives and major projects (兩新一重)" construction initiatives, where construction of new infrastructure, new urbanization initiatives and major projects such as transportation and water are accelerated, providing a focal point for the country's "stability in six areas" and "six priorities" policies under the new circumstances and an important support in face of the impact of COVID-19 on the economy. Recently, the central government of the PRC announced the goal to "speed up the building of a complete domestic demand system, in order to form a new development landscape with domestic circulation as main body and mutual promotion of local and foreign circulation (「加快構建完整的內需體系，逐步形成以國內大循環為主體、國內國際雙循環相互促進的新發展格局」)". This offers a definite direction for PRC's economic development, transformation and upgrade. The above measures provide favorable support to cement demand. Optimization for the industry such as de-capacity, peak-shifting production halts, environmental management and differentiation management will continue. In central China and Northeastern region where the Group is located, the government announces investment and development plans amounted to trillions of RMB in order to stimulate the economy. The Company will utilize its regional advantage and local and foreign cooperation to strengthen its internal operation control and management and facilitate its aggregated business development, with an aim to mitigate the effect of the pandemic and external business on our operating revenue and gross profit margin and maintain our regional competitive advantage.

Disclosure of Interests

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

As at 30 June 2020, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

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

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

(2) As at 30 June 2020, Yu Kuo pledged its 842,000,000 shares (approximately 28.66% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.

Save as disclosed above, as at 30 June 2020, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Disclosure of Interests

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

As at 30 June 2020, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position(1)	2,044,484,822(2)	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position(1)	2,044,484,822(2)	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position(1)	2,044,484,822(2)	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position(1)	2,044,484,822(2)	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position(1)	2,044,484,822(2)	69.58
Mr. Li Liufa	Interest of corporation controlled by the director/Long position(1)	2,044,484,822(2)	69.58
Ms. Li Fengluan	Interest of corporation controlled by the director/Long position(1)	2,044,484,822(2)	69.58
The Export-Import Bank of China	Party with security interest over the shares/ Long position(2)	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/ Long position(2)	315,000,000	10.72
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/ Long position	300,000,000	10.21

Disclosure of Interests

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
China Huarong International Holdings Limited	Interest of controlled corporation/ Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/ Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/ Long position	300,000,000	10.21
Haitong International Investment Solutions Limited	Party with security interest over the shares/ Long position	157,000,000	5.34
Haitong International Holdings Limited	Interest of controlled corporation/ Long position	157,000,000	5.34
Haitong International Securities Group Limited	Interest of controlled corporation/ Long position	157,000,000	5.34
Haitong Securities Co., Limited	Interest of controlled corporation/ Long position	157,000,000	5.34
Henan Jiuding Financial Leasing Co., Ltd	Party with security interest over the shares/ Long position	200,000,000	6.81

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

(2) As at 30 June 2020, Yu Kuo pledged its 842,000,000 shares (approximately 28.66% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.

Saved as disclosed above, as at 30 June 2020, no other person had any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2020 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

Disclosure of Interests

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period ended 30 June 2020, save as disclosed in the sections under "Directors' Interests in Competing Businesses" and "Continuing Connected Transactions and Connected Transactions", no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the period ended 30 June 2020, save as (1) disclosed by the prospectus regarding the indirect shareholding of Chairman Li at Ruiping Shilong Cement Company Limited ("Ruiping Shilong") for its engaging in the businesses of clinker production and sales in certain regions of Henan province; and (2) the indirect equity interests held by Chairman Li at China Shanshui Cement Group Limited ("Shanshui Cement"), which is listed on The Stock Exchange of Hong Kong Limited with the stock code as 691.HK and engages in the clinker and cement production in the PRC, none of the Directors or Controlling Shareholders (as defined in the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group. The acquisitions of the equity interests at Shanshui Cement had been approved in accordance with the Amended Non-competition Deed (for details please refer to the circular dated 31 October 2014 and approved on the Company's extraordinary general meeting held on 17 November 2014).

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other schemes adopted shall not exceed 3%, which is 72,027,000 shares (the "Scheme Mandate Limit") of the issued shares of the Company (or its subsidiaries) as at the Listing Date, whereas it had not exceeded 3% of the issued shares of the Company on 30 June 2020. The purpose of such scheme is to provide person(s) and parties working for the interests of the Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group. According to the Share Option Scheme, the Directors may at their absolute discretion invite all Directors, any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the discretionary consideration by the Board, have contributed to our Company or our Group to participate in the Share Option Scheme of the ordinary shares of the Company. Offers of the grant of the Options shall be made to the Eligible Person by the Company in written form (as may be determined by the Board from time to time). The Eligible Person may accept the offer within 21 days from the date of offer (or such other period as may be determined by the Board). When the duplicate letter comprising acceptance of the Option is duly signed by the Eligible Person, it should be submitted together with the remittance of HK$1 in favor of our Company (as a consideration for the grant irrespective of the number of Shares in respect of which the Option is accepted) and hence the offer shall be deemed as accepted. The subscription price in respect of any particular Option (the "Subscription Price") shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option, but in any case the Subscription Price must be at least the highest of (i)

Disclosure of Interests

the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees (the "Option Period"). All outstanding options shall lapse when the Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group. Where there are options to be granted and yet to be exercised, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30% (the "Overall Upper Limit of the Scheme") of the shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the Options, in any 12-month period, granted under the Share Option Scheme or any other share option schemes adopted by the Company to such Eligible Person must not exceed 1% of the Shares in issue at such time. In case of the further grant of the Option leading to the number of shares exceeding 1%, approvals from the shareholders must be obtained, whereas the relevant participants and their associates must be abstained from voting.

Since the Adoption Date and as at 30 June 2020, the Company had not been under any circumstances of granting any share options under the Share Option Scheme or 3% of the shares in issue of the total number of shares to be issued in the Scheme.

DISCLOSURE PURSUANT TO RULE 13.21 OF THE LISTING RULES

(1) On 13 August 2020, Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (the "Borrower", an indirect wholly-owned subsidiary of the Company) has drawn a loan facility (the "Loan A") in an aggregate amount of RMB100,000,000 provided by a lender (the "Lender A", an independent third party) to the Borrower for a term of 12 months from drawdown which is secured by a pledge of 55,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares A") by Yu Kuo, the controlling shareholder of the Company, in favour of the Lender A as security for the Loan A pursuant to a share charge agreement dated 27 July 2020. The Pledged Shares A represent approximately 1.87% of the total issued shares of the Company. Pursuant to the terms of the Loan A, Tianrui Group Company Limited (天瑞集團股份有限公司) ("Tianrui Group", a controlling shareholder under the Listing Rules and a company incorporated in the PRC with limited liability, which is 70% owned by Mr. Li Liufa ("Mr. Li"), the controlling shareholder of the Company and 30% owned by Ms. Li Fengluan ("Ms. Li")) should ultimately own not less than 50% shareholding of the Borrower. As at the date of this interim report, Tianrui Group beneficially owns approximately 69.58% of the total number of issued shares of the Company which indirectly wholly owns the Borrower. A breach of the above obligations will constitute an event of default under the terms of the Loan A, upon default of which the Lender A may demand for immediate repayment of the Loan A. For details, please refer to the announcement dated 13 August 2020.

(2) On 25 August 2020, the Company has drawn a loan facility (the "Loan B") in an aggregate amount of US$49,570,000 provided by an independent third-party lender (the "Lender B") to the Company for an initial term of 24 months which is secured by a pledge of 140,000,000 ordinary shares in the issued share capital of the Company (the "Pledged Shares B") by Yu Kuo, the controlling shareholder of the Company, in favour of the Lender B as security for the Loan B pursuant to a share charge agreement dated 21 July 2020. The Pledged Shares B represent approximately 4.76% of the total issued shares of the Company. Pursuant to the terms of the Loan B, Mr. Li and Ms. Li are required to collectively own, whether directly or indirectly, at least 51% of the entire issued share capital of the Company, upon default of which the Lender may demand for immediate repayment of the Loan B. For details, please refer to the announcement dated 25 August 2020.

As at the date of this interim report, the above specific performance obligations by the controlling shareholders of the Company continue to exist.

Corporate Governance and Other Important Information

CORPORATE GOVERNANCE

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

During the Reporting Period, the Company had been applying the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules") as its own code to regulate its corporate governance practice. Other than those disclosed in this section below, the Company had been in compliance with all code provisions set out in the Corporate Governance Code during the Reporting Period.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to the moment. The Company will actively seek a new chief executive officer. In the meantime, the Board of the Company established an executive committee (the "Executive Committee"), which was composed of three executive Directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not to be concentrated in one person.

COMPLIANCE WITH MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Having made specific enquiry with the Directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the Reporting Period.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the Reporting Period, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

INTERIM DIVIDEND

The Directors of the Company did not recommend the declaration of any interim dividend for the Reporting Period (30 June 2019: Nil).

REVIEW OF FINANCIAL INFORMATION

The audit committee of the Board of the Company has discussed with the Company's management and reviewed the interim results of the Group for the six months ended 30 June 2020. The financial information in the condensed consolidated financial statements of the interim results have not been audited or reviewed by the auditors of the Company.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2020

	Notes	For the six months ended 30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Revenue	4, 5	**5,253,673**	5,494,670
Cost of sales		**(3,518,048)**	(3,661,482)
Gross profit		**1,735,625**	1,833,188
Other income	6	**296,508**	305,660
Other gains and losses	7	**(29,638)**	14,092
Share of profit of associates		**40,743**	4,228
Selling and distribution expenses		**(171,427)**	(155,032)
Administrative expenses		**(202,125)**	(172,382)
Research and development expenses		**(71,458)**	—
Other expenses		**(20,034)**	(22,637)
Finance costs	8	**(565,672)**	(563,174)
Profit before tax		**1,012,522**	1,243,943
Income tax expense	9	**(240,283)**	(317,640)
Profit and total comprehensive income for the period	10	**772,239**	926,303
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**718,959**	887,005
Non-controlling interests		**53,280**	39,298
		772,239	926,303
Earnings per share			
Basic (RMB)	11	**0.24**	0.30

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	11,034,187	11,112,916
Deposits and prepayments	14	1,910,721	2,422,257
Right-of-use assets		894,932	901,264
Mining rights		808,568	830,943
Goodwill		294,014	294,014
Interests in associates		554,303	513,560
Derivative financial instruments		49,427	49,427
Deferred tax assets		175,812	175,840
Pledged bank balances	16	103,779	103,779
Amounts due from an associate	17	—	330,000
Other prepayments		861,980	861,980
		16,687,723	17,595,980
CURRENT ASSETS			
Inventories		1,404,987	1,061,302
Trade and other receivables	15	5,858,891	7,305,611
Amounts due from an associate	17	1,029,885	707,288
Financial assets at far value through profit or loss		20,319	20,321
Pledged bank balances	16	3,875,670	3,804,969
Cash and bank balances	18	1,955,403	1,828,833
		14,145,155	14,728,324
CURRENT LIABILITIES			
Trade and other payables	19	4,199,910	4,499,829
Contract liabilities		230,854	371,604
Loan from an associate — due within one year	20	420,000	800,000
Long-term corporate bonds — due within one year	22	2,082,036	114,263
Borrowings — due within one year	20	4,448,368	5,788,178
Lease liabilities — due within one year		15,694	15,036
Current tax liabilities		310,407	754,378
Financial guarantee contracts	27	14,934	14,906
		11,722,203	12,358,194
NET CURRENT ASSETS		2,422,952	2,370,130
TOTAL ASSETS LESS CURRENT LIABILITIES		19,110,675	19,966,110

Condensed Consolidated Statement of Financial Position

As at 30 June 2020

	Notes	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital	23	24,183	24,183
Share premium and reserves		13,534,339	12,815,380
Equity attributable to owners of the Company		13,558,522	12,839,563
Non-controlling interests		139,808	136,028
TOTAL EQUITY		13,698,330	12,975,591
NON-CURRENT LIABILITIES			
Loan from an associate — due after one year	20	530,000	150,000
Borrowings — due after one year	20	2,556,644	2,497,004
Guaranteed notes	21	897,317	934,566
Long-term corporate bonds	22	74,445	2,031,101
Other financial liability		992,014	1,004,445
Lease liabilities — due after one year		23,622	25,554
Deferred tax liabilities		171,183	175,207
Deferred income		144,671	148,963
Provision for environmental restoration		22,449	23,679
		5,412,345	6,990,519
		19,110,675	19,966,110

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2020

	Attributable to owners of the Company									
	Issued capital RMB'000	**Share premium** RMB'000	**Capital reserve** RMB'000	**Statutory reserve fund** RMB'000	**Other reserve** RMB'000	**Revaluation reserve** RMB'000	**Retained earnings** RMB'000	**Total** RMB'000	**Non-controlling interest** RMB'000	**Total equity** RMB'000
At 1 January 2019	24,183	1,066,648	789,990	1,072,677	1,033,189	31,768	6,999,219	11,017,674	61,446	11,079,120
Profit for the period and total comprehensive income	—	—	—	—	—	—	1,819,423	1,819,423	115,082	1,934,505
Appropriation of statutory reserve	—	—	—	220,631	—	—	(220,631)	—	—	—
Appropriation of security fund	—	—	—	—	2,466	—	—	2,466	—	2,466
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	(40,500)	(40,500)
At 31 December 2019	24,183	1,066,648	789,990	1,293,308	1,035,655	31,768	8,598,011	12,839,563	136,028	12,975,591
Profit for the period and total comprehensive income	**—**	**—**	**—**	**—**	**—**	**—**	**718,959**	**718,959**	**53,280**	**772,239**
Dividend to non-controlling interests	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**—**	**(49,500)**	**(49,500)**
At 30 June 2020	**24,183**	**1,066,648**	**789,990**	**1,293,308**	**1,035,655**	**31,768**	**9,316,970**	**13,558,522**	**139,808**	**13,698,330**
At 1 January 2019	24,183	1,066,648	789,990	1,072,677	1,033,189	31,768	6,999,219	11,017,674	61,446	11,079,120
Profit for the period and total comprehensive income	—	—	—	—	—	—	887,005	887,005	39,298	926,303
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	(40,000)	(40,000)
At 30 June 2019	24,183	1,066,648	789,990	1,072,677	1,033,189	31,768	7,886,224	11,904,679	60,744	11,965,423

Notes:

i. Capital reserve represents the excess of capital injection over the registered capital of Tianrui Cement Group Company Limited (the "Tianrui Cement").

ii. According to the relevant requirements in the memorandum of the People's Republic of China (the "PRC") subsidiaries, a portion of their profits after taxation is transferred to statutory reserve fund. The transfer to this fund must be made before the distribution of dividend to the equity owners. The statutory reserve fund can be used to make up previous years' losses, if any. The statutory reserve fund is non-distributable other than upon liquidation.

iii. Other reserves comprise the following:

(1) Reserve arising from the group reorganisation in 2011: China Tianrui Group Cement Company Limited (the "Company") was incorporated on 7 February 2011 and became the ultimate holding company of Zhong Yuan Cement Company Limited, China Tianrui (Hong Kong) Company Limited, and Tianrui Cement and its subsidiaries (collectively referred to as the "Group") on 8 April 2011. On 2 April 2011, 474,526 ordinary shares of the Company (the "Shares") were allotted and issued to Yu Kuo Company Limited. As part of the group reorganisation, Yu Kuo Company Limited applied a bridging loan in the net amount of US Dollar87,433,333 (equal to approximately RMB565,516,000) to pay up the Shares. The amount of US Dollar87,433,333 in excess of the par value of 474,526 shares was recognised in the share premium account, and the resulting difference between the paid-in capital of Tianrui Cement amounting to RMB1,397,135,000 after deducting the nominal value of the Shares issued to Yu Kuo Company Limited and the share premium amounting to RMB831,615,000 was recognised in other reserves;

(2) Deemed contribution from Tianrui Group Company Limited ("Tianrui Group") of RMB229,240,000 recognised in 2015;

(3) Fair value of financial guarantee contracts at initial recognition provided to Tianrui Group and its subsidiaries debited to other reserves totaling RMB44,572,000 up to 30 June 2020 (2019: RMB44,572,000); and

(4) The difference between the consideration of the acquisitions of non-controlling interests and the carrying amounts of non-controlling interests and relevant reserves totaling RMB16,906,000 credited to other reserves up to 30 June 2020 (2019: RMB16,906,000).

iv. The revaluation reserve represents the revaluation surplus of previously held interests in associates of Tianrui Cement recognized directly in equity when Tianrui Cement acquired additional interests in those entities and obtained control.

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2020

	Six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**1,770,567**	1,113,417
Investing activities		
Interest received	**27.090**	30,369
Addition of property, plant and equipment	**(151,515)**	(199,323)
Increase in prepaid lease payments	**(6,332)**	—
Proceeds from disposal of property, plant and equipment	**4,724**	17,496
Acquisition of mining rights	**(22,375)**	(25,624)
Changes of deposits paid for acquisition of business, property, plant and equipment and prepaid lease payments	**511,536**	289,019
Decrease in restricted pledged bank balances	**—**	1,292,182
Increase in restricted pledged bank balances	**(70,701)**	(107,339)
Net cash (used in) from investing activities	**292,427**	1,296,780
Financing activities		
Interest paid	**(569,855)**	(563,174)
Dividend paid	**(60,267)**	(67,047)
Repayment of borrowings	**(3,344,570)**	(4,105,709)
New borrowings raised	**2,064,400**	3,431,050
Repayment of loan from an associate	**—**	(1,000,000)
Repayment of short-term debenture	**(26,132)**	—
Net cash used in financing activities	**(1,936,424)**	(2,304,880)
Increase in cash and cash equivalents	**126,570**	105,317
Cash and cash equivalents at beginning of year	**1,828,833**	711,797
Cash and cash equivalents at end of the year represented by cash and bank balances	**1,955,403**	817,114

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

1. GENERAL INFORMATION

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

The Company is an investment holding company. The principal activities of the Company and its subsidiaries (the "Group") are manufacture and sale of cement, clinker and limestone aggregate. Its immediate holding company is Yu Kuo Company Limited and its ultimate holding company as at 30 June 2020 is Tianrui Group Company Limited ("Tianrui Group"), which is controlled by Mr. Li Liufa and Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed 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 condensed consolidated financial statements included applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange and by the Hong Kong Companies Ordinance.

These condensed consolidated financial statements have been prepared by the Group on a going concern basis as at 30 June 2020.

In view of these circumstances, the Directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows for the year ended 31 December 2019 and 2018.

The Directors of the Company have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 30 June 2020. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the Group's current borrowings could be renewed at a rate of 70% based on the Group's historical average loans renewal rate of 80% in the past three years. The Directors of the Company, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors of the Company consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

3. PRINCIPAL ACCOUNTING POLICIES

The condensed consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments, which are measured at fair values, as appropriate.

Other than changes in accounting policies resulting from application of amendments to International Financial Reporting Standards ("IFRSs"), and application of certain accounting policies which became relevant to the Group, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2020 are the same as those presented in the Group's annual financial statements for the year ended 31 December 2019.

Application of amendments to IFRSs

In the current interim period, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by IASB, for the first time, which are mandatory effective for the annual period beginning on or after 1 January 2020 for the preparation of the Group's condensed consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

3.1 Impacts on application of Amendments to IAS 1 and IAS 8 "Definition of Material"

The amendments provide a new definition of material that states "information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity." The amendments also clarify that materiality depends on the nature or magnitude of information, either individually or in combination with other information, in the context of the financial statements taken as a whole.

The application of the amendments in the current period had no impact on the condensed consolidated financial statements. Changes in presentation and disclosures on the application of the amendments, if any, will be reflected on the consolidated financial statements for the year ending 31 December 2020.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

3. PRINCIPAL ACCOUNTING POLICIES — continued

Application of amendments to IFRSs — continued

3.2 Impacts and accounting policies on application of Amendments to IFRS 3 "Definition of a Business"

3.2.1 Accounting policies

Business combinations or asset acquisitions

Optional concentration test

Effective from 1 January 2020, the Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

3.2.2 Transition and summary of effects

The Group has elected not to apply the optional concentration test on the acquisition of the subsidiary and concluded that such acquisition does not constitute a business under the Amendment to IFRS 3 "Definition of a business".

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2020 RMB'000 (unaudited)	For the six months ended 30 June 2019 RMB'000 (unaudited)
Sales of cement	**4,736,692**	5,138,827
Sales of clinker	**175,412**	261,688
Sales of aggregate	**341,569**	94,155
	5,253,673	5,494,670
Revenue recognition at a point in time	**5,253,673**	5,494,670

Notes to Condensed Consolidated Financial Statements

4. REVENUE — continued

The Group sells cement, clinker and aggregate directly to external customers and revenue is recognised when the control of the 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 enter into sale and purchase agreements with the Group. Such advance payments are recorded as contract liabilities and the revenue is recognised when the control of the goods is transferred to the customers.

5. SEGMENT INFORMATION

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

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

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

	Segment revenue For the six months ended 30 June		Segment profit For the six months ended 30 June	
	2020	2019	**2020**	2019
	RMB'000	RMB'000	**RMB'000**	RMB'000
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**4,082,481**	4,407,835	**932,743**	1,159,288
Northeastern China	**1,171,192**	1,086,835	**88,319**	93,215
Total	**5,253,673**	5,494,670	**1,021,062**	1,252,503
Unallocated corporate administrative expenses			**(8,540)**	(8,560)
Profit before tax			**1,012,522**	1,243,943

The accounting policies of the reportable segments are the same as the Group's accounting policies. Segment profit represents the profit before tax and the unallocated corporate administrative expenses (including Directors' emoluments).

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

6. OTHER INCOME

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Value-added tax refund	151,472	196,493
Incentive subsidies	19,756	8,755
Interest on bank deposits	27,090	30,369
Rental income	6,806	900
Reversal of deferred income	746	746
Other profit, net	82,148	63,274
Software service income	5,775	3,641
Others	2,715	1,482
	296,508	305,660

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Foreign exchange gain/(loss), net	(30,101)	4,633
Gain on disposal of property, plant and equipment, net	463	9,459
	(29,638)	14,092

8. FINANCE COSTS

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Interest on:		
Bank and other borrowings	**326,683**	372,033
Bills discounted with recourse	**106,824**	91,821
Guaranteed notes	**59,137**	—
Long-term corporate bonds	**75,864**	100,202
Lease liabilities	**1,347**	2,241
	569,855	566,297
Less: amounts capitalized	**(4,183)**	(3,123)
	565,672	563,174

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 7.13% per annum (2019: 6.68% per annum) for the period ended 30 June 2020.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current interim period	**269,310**	329,612
— under-provision/(overprovision) in prior years	**(25,031)**	3,507
	244,279	333,119
Deferred tax	**(3,996)**	(15,479)
	240,283	317,640

No provision for Hong Kong taxation has been made during the both interim periods as no income was generated from or recorded in Hong Kong by the Group.

Under the Law of the People's Republic of China on Enterprise Income Tax (the "PRC EIT Law") and Implementation Regulation of the PRC EIT Law, the tax rate of the PRC subsidiaries is 25%.

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

Profit and total comprehensive income for the period has been arrived at after charging (crediting):

	For the six months ended 30 June	
	2020	2019
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**400,059**	394,321
Amortization of right-of-use assets	**15,884**	9,455
Amortization of mining rights, included in cost of sales	**10,040**	9,196
Amortization of other intangible assets	**—**	405
Total depreciation and amortization, in aggregate	**425,983**	413,377
Cost of inventories recognized as an expense	**3,518,048**	3,661,482
Staff costs including retirement benefit	**234,366**	232,871

11. EARNINGS PER SHARE

The basic earnings per share attributable to owners of the Company for the each of Reporting Period is calculated based on the following data:

	For the six months ended 30 June	
	2020	2019
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company (in thousands)	**718,959**	887,005
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share (in thousands)	**2,938,282**	2,938,282

No diluted earnings per share is presented as the Company did not have any potential ordinary shares outstanding.

12. DIVIDENDS

During the current interim period, no dividend has been paid, declared or proposed to be paid, nor has any dividend been proposed during the current interim period.

13. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB4,261,000 (for the six months ended 30 June 2019: RMB8,037,000) for cash proceeds of RMB4,724,000 (for the six months ended 30 June 2019: RMB17,496,000), resulting in a gain on disposal of RMB463,000 (for the six months ended 30 June 2019: RMB9,459,000).

As at 30 June 2020, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB558,688,000 (31 December 2019: RMB576,035,000).

14. DEPOSITS AND PREPAYMENTS

As at 30 June 2020 and 31 December 2019, the amounts represent deposits and advances paid for acquisition of business, and acquisition of property, plant and equipment and land use rights.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade receivables	715,363	190,960
Less: allowance for bad debts losses	(55,703)	(55,703)
	659,660	135,257
Other receivables	602,869	371,626
Less: allowances for credit losses	(39,451)	(39,451)
	563,418	332,175
Bills receivables	973,773	3,775,206
Advances to suppliers	3,792,929	3,270,659
Other advances	560,000	560,000
Prepayment for various tax	171,091	94,294
	6,720,871	8,167,591
Less: Prepayment to suppliers classified under non-current assets	(861,980)	(861,980)
	5,858,891	7,305,611

15. TRADE AND OTHER RECEIVABLES — continued

The aged analysis of the Group's trade receivables (net of allowances of credit losses) from the goods delivery date to the end of each Reporting Period is as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within 90 days	525,446	12,150
91–180 days	93,358	50,086
181–360 days	25,001	46,022
1 year to 2 years	12,469	23,068
Over 2 years	3,386	3,931
Total	659,660	135,257

16. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2020 for (i) securing bank borrowings granted to the Group amounting to RMB365,847,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB3,509,823,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB103,779,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2019 for (i) securing bank borrowings granted to the Group amounting to RMB302,700,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB3,502,269,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB103,779,000.

The restricted bank balances carried interest at market rates of 0.35% to 2.1% per annum as at 30 June 2020 (31 December 2019: 0.35% to 2.1% per annum).

17. AMOUNTS DUE FROM A RELATED PARTY

The amounts due from an associate of approximately RMB1,029,885,000 as at 30 June 2020 (2019: approximately RMB1,037,288,000) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong") for the clinker purchase in 2020 under the Clinker Supply Framework Agreement.

18. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2020, bank balances carried interest at market rates of 0.35% and 1.5% per annum (31 December 2019: 0.35% and 1.5% per annum).

19. TRADE AND OTHER PAYABLES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Trade payables	974,567	954,384
Bills payables	2,819,900	2,898,000
Construction cost payables	181,026	394,139
Other advances	96,770	71,985
Other tax payables	22,486	61,404
Other payables and accrued expenses	105,161	119,917
	4,199,910	4,499,829

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

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within 1–90 days	528,927	548,687
91–180 days	77,069	85,089
181–365 days	127,433	116,161
Over 1 year	241,138	204,447
Total	974,567	954,384

20. BORROWINGS

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Bank borrowings:		
— fixed-rate	3,517,262	3,107,067
— variable-rate	734,000	595,000
Other non-banking financial institution borrowings:		
— fixed-rate	3,703,750	3,257,440
	7,955,012	6,959,507
Bank borrowings relating to bills discounted with recourse	—	1,325,675
	7,955,012	8,285,182
Secured	3,863,116	5,585,946
Unsecured	4,091,896	2,699,236
	7,955,012	8,285,182

20. BORROWINGS — continued

The borrowings are repayable as follows:

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Within one year	4,868,368	5,788,178
More than one year, but not exceeding two years	2,428,314	804,536
More than two years, but not exceeding five years	658,330	1,692,468
	7,955,012	8,285,182
Less: amount due within one year shown under current liabilities	(4,868,368)	(5,788,178)
Amount due after one year	3,086,644	2,497,004

During the current interim period, the Group obtained new bank loans amounting to RMB2,064,400,000 (30 June 2019: RMB3,431,050,000). The loans carried interest at market rates of 4.3% to 14.40% (31 December 2019: 4.4% to 14.4%). The Directors consider that the carrying amounts of the borrowings recognized in the condensed consolidated financial statements approximate to their fair values.

21. GUARANTEED NOTES

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Guaranteed notes	897,317	934,566
	897,317	934,566

21. GUARANTEED NOTES — continued

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

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

22. LONG-TERM CORPORATE BONDS

	As at 30 June 2020 RMB'000 (unaudited)	As at 31 December 2019 RMB'000 (audited)
Long-term corporate bonds	**2,156,481**	2,145,364
Less: Amounts due within one year	**(2,082,036)**	(114,263)
Amounts due after one year	**74,445**	2,031,101

22. LONG-TERM CORPORATE BONDS — continued

Notes:

(i) long-term corporate bonds in an aggregate principal amount of RMB2,000,000,000 issued on 6 February 2013 with a term of eight years and an interest rate of 7.21% per annum. According to the terms and conditions of the bonds, the Group has the option to adjust the bonds rate for the sixth to eighth year at the end of the fifth year by giving a notice to the bond holders. The bond holders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date. The remaining unredeemed bonds will be subject to the interest rate offered by the Group at the end of the fifth year until the maturity date. These bonds were issued through a lead underwriter, Hua Xi Securities Co., Ltd (華西證券有限責任公司) to non-specific buyers. These bonds are jointly and severally guaranteed by Tianrui Foundry and Tianrui Travel, two subsidiaries of Tianrui Group. The guarantees have been provided at no cost to the Group.

On 6 February 2018, the Group exercised its rights to adjust the interest to 8% per annum and no redemption was exercised by the bondholders and the maturity date of these bonds is 6 February 2021.

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

(iii) long-term corporate bonds in an aggregate principal amount of RMB1,000,000,000 issued on 29 September 2015 through a lead underwriter, Ping An Securities Company Limited (平安證券有限責任公司), with a term of five years and an interest rate of 5.95% per annum. According to the terms and conditions of these bonds, the Group has an option to adjust the bonds rate for the fourth year and fifth year at the end of the third year by giving a notice to the bondholders. The bondholders may accordingly at their option to require the Group to redeem the bonds at a redemption price equal to 100% of the principal plus accrued and unpaid interest to such redemption date.

On 29 September 2018, corporate bonds with an aggregate carrying amount of RMB788,648,000 have been redeemed and the corporate bonds with an aggregate carrying amount of RMB106,056,000 has been redeemed on 29 September 2019. The maturity date of the remaining corporate bonds is 29 September 2020.

23. ISSUED CAPITAL

The Company

	Number of shares	Share capital HK$'000	Share capital RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 31 December 2013 and 30 June 2015	10,000,000,000	100,000	81,070
Issued			
On incorporation (Note a)	1	—	—
Issued on 21 February and 2 April 2011 (Note b)	474,999	5	4
Issued on 2 April 2011 (Note c)	525,000	5	4
As at 30 June 2011	1,000,000	10	8
Issued on 23 December 2011 (Note e)	1,999,000,000	19,990	16,240
Issued on 23 December 2011 (Note f)	400,900,000	4,009	3,257
As at 31 December 2016	2,400,900,000	24,009	19,505
Issued on 6 June 2017 (Note g)	537,381,647	5,374	4,678
As at 31 December 2017	2,938,281,647	29,383	24,183
As at 30 June 2020	2,938,281,647	29,383	24,183

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

23. ISSUED CAPITAL — continued

Notes:

(a) On 7 February 2011, one subscriber share was issued to the Company's subscriber, Yu Kuo Company Limited ("Yu Kuo"), at par value;

(b) On 21 February 2011, the Company issued 473 shares to Yu Kuo in exchange for the 100% equity interests in Zhong Yuan Cement Company Limited ("Zhong Yuan Cement") and on 2 April 2011, issued 474,526 shares to Yu Kuo at a consideration of US$87,433,333;

(c) On 2 April 2011, the Company issued 525,000 shares to other shareholders of Tianrui Cement for acquiring their respective interests in Tianrui Cement;

(d) On 12 December 2011, the Company increased the authorized share capital of the Company from HK$380,000 divided into 38,000,000 shares of HK$0.01 each by the creation of an additional 9,962,000,000 shares of HK$0.01 each;

(e) On 23 December 2011, the Company allotted and issued a total of 1,999,000,000 shares (the "Capitalization Shares"), credited as fully paid by par, to holders of shares whose names appeared on the principal register of members of the Company in proportion to their then existing shareholders in the Company, by way of capitalization of HK$19,990,000 standing to credited of the share premium accounted of the Company and applying such sum of HK$19,990,000 in paying up in full at par 1,999,000,000 shares for such allotment and issue. The new shares rank pari passu with the existing shares in all respects;

(f) On 23 December 2011, the Company issued 409,000,000 shares of HK$0.01 each for cash pursuant to the initial public offering at the price of HK$2.41 each. The new shares rank pari passu with the existing shares in all respects;

(g) On 7 June 2017, the Company issued 537,381,467 shares of HK$0.01 each at the price of HK$2.28 each to acquire equity interests 100% and 55% of Yongan Cement and Xindeng Cement respectively. The new shares rank pari passu with the existing shares in all respects.

24. PLEDGE OF ASSETS

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

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Property, plant and equipment	**3,185,115**	3,092,397
Right-of-use assets	**491,264**	494,804
Mining rights	**81,262**	189,435
Pledged bank balances	**36,585**	302,700
	3,794,226	4,079,336

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2020

25. CAPITAL COMMITMENTS

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided in the condensed consolidated financial statements	**298,206**	346,025

26. RELATED PARTY DISCLOSURES

Apart from above, during the period, the Group had the following major transactions with the related parties.

Nature of transaction	Name of related company	Note	Six months ended 30 June 2020 RMB'000 (unaudited)	2019 RMB'000 (unaudited)
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**305,864**	273,461
			305,864	273,461
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		**900**	900

Note:

i. An associate of the Group.

27. CONTINGENT LIABILITIES

	At 30 June 2020 RMB'000 (unaudited)	At 31 December 2019 RMB'000 (audited)
Guarantees provided in respect of banking facilities granted to:		
Related parties	**1,918,707**	1,581,578
	1,918,707	1,581,578

The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB14,934,000 (31 December 2019: RMB14,906,000) in the consolidated financial statement.