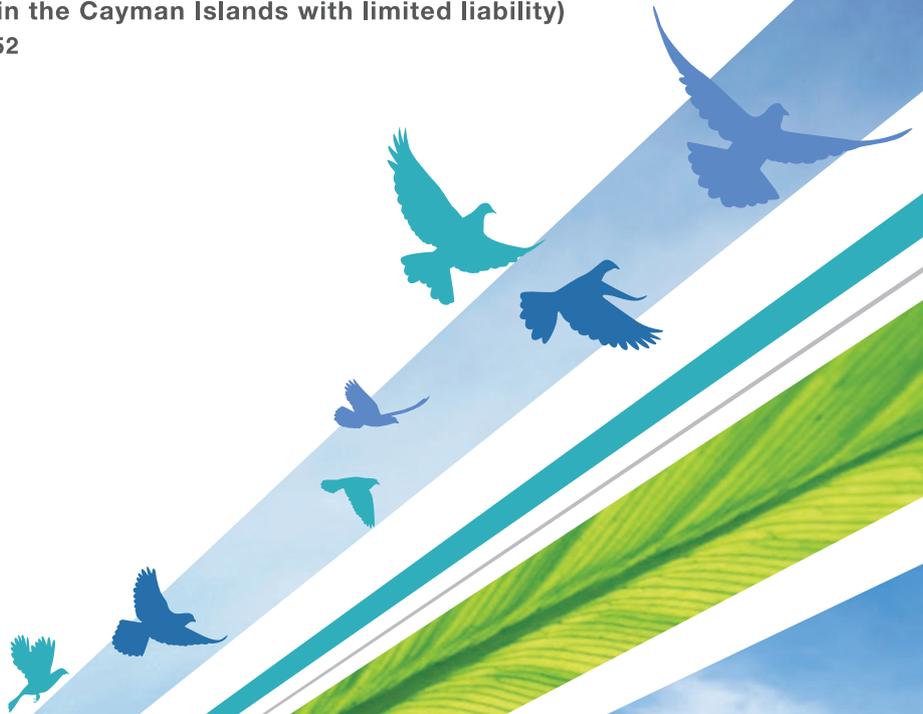




CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1252

INTERIM REPORT 2021



CONTENTS

Corporate Information	2
Financial Highlights	4
Management Discussion and Analysis	5
Disclosure of Interests	15
Corporate Governance and Other Important Information	21
Condensed Consolidated Statement of Comprehensive Income	22
Condensed Consolidated Statement of Financial Position	23
Condensed Consolidated Statement of Changes in Equity	25
Condensed Consolidated Statement of Cash Flows	26
Notes to Condensed Consolidated Financial Statements	27





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 CTS 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 East Road

Ruzhou City

Henan Province

PRC

PLACE OF BUSINESS IN HONG KONG

Room 2504, 25/F.
Lippo Centre Tower 1
89 Queensway
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

Conyers Trust Company (Cayman) Limited
Cricket Square, Hutchins Drive
PO Box 2681, Grand Cayman
KY1-1111
Cayman Islands

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong
Registered Public Interest Entity Auditors

LEGAL ADVISERS

As to Hong Kong law

Peter Chen Law Office
Unit 2413A, 24/F
Lippo Centre Tower 1
89 Queensway
Admiralty, Hong Kong

As to PRC law

DeHeng Law Offices
12/F Tower B, Focus Place
No. 19 Finance Street
Xicheng District
Beijing 100033
PRC

HONG KONG SHARE REGISTRAR

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

Financial Highlights

	For the six months ended 30 June		Percentage of Change
	2021 RMB'000	2020 RMB'000	
Revenue	5,732,761	5,253,673	+9.1%
Gross profit	1,753,881	1,735,625	+1.1%
Profit	795,010	772,239	+2.9%
Of which: Profit attributable to owners of the Company	751,571	718,959	+4.5%
Basic earnings per share (RMB)	0.26	0.24	+4.5%
	As at 30 June 2021 RMB'000	As at 31 December 2020 RMB'000	Percentage of Change
Total assets	31,604,499	32,439,501	-2.6%
Of which: Current assets	15,556,914	15,981,644	-2.7%
Total liabilities	15,986,591	17,616,603	-9.3%
Of which: Current liabilities	10,942,005	13,426,148	-18.5%
Total equity	15,617,908	14,822,898	+5.4%
Of which: Equity attributable to owners of the Company	15,445,621	14,694,050	+5.1%



Management Discussion and Analysis

BUSINESS REVIEW

During the first half of 2021, Chinese Government carried out coordination works on the prevention and control of the pandemic and the economic and social development, it performed works on “stability in six areas” sturdily and fully implemented the mission on “six priorities”, leading to a significant recovery in economy. The more favourable situation in the cement industry experienced in the fourth quarter of last year extended into the first four months this year, and there was a strong demand in the cement market, as a consequence the price stayed at a high level and recorded a trend of continuous increase. However, there was an evident cool down in market sentiment since the latter part of May this year, leading to a change in both demand and supply, with a fierce competition between enterprises in different regions, a downward trend for the overall market price is observed, higher magnitude of decrease are observed in several regions. In the first half of 2021, the Group proactively made plans and reasonable layouts, we leveraged the favourable market situation between January and April to optimize the balance between quantity and price, prompting increases in both sales volume and sales price. We adjusted the market strategy actively during May and June in accordance to the changes in market situation, and made effort on price stabilization and quantity enhancement, thus achieved a relatively favorable overall results during the first half of the year.

As of 30 June 2021, the Group possesses clinker production capacity of 28.4 million tonnes, cement production capacity of 56.4 million tonnes and production capacity of limestone aggregate of 19.2 million tonnes.

In the first half of 2021, the sales volume of cement of the Group amounted to 17.5 million tonnes, representing an increase of approximately 1.7 million tonnes or approximately 10.6% year-on-year as compared to approximately 15.8 million tonnes in the same period of 2020. The average price was approximately RMB290.4 per tonne, representing a decrease of RMB8.6 per tonne or 2.9% compared to the same period last year.

In the first half of 2021, the sales volume of limestone aggregate of the Group amounted to approximately 8.6 million tonnes, representing an increase of approximately 1.2 million tonnes or 15.9% as compared to approximately 7.4 million tonnes in the same period of 2020. The average price was approximately RMB53.1 per tonne, representing an increase of RMB6.8 per tonne or 14.8% compared to the same period last year.

In the first half of 2021, the Group sold approximately 0.7 million tonnes of clinker externally, same as the quantity of 0.7 million tonnes sold in the same period of 2020. 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 2021, the Group recorded a revenue of RMB5,732.8 million, representing an increase of approximately RMB479.1 million or 9.1% compared to the same period in 2020. The profit attributable to owners of the Company amounted to approximately RMB751.6 million, representing an increase of approximately RMB32.6 million or approximately 4.5% from approximately RMB719.0 million in the same period of 2020.



Management Discussion and Analysis

BUSINESS ENVIRONMENT

The fixed assets investment of PRC (excluding rural household) in the first half of 2021 was RMB25.59 trillion, representing a year-on-year increase of 12.6%, and have increased by 9.1% when compared with the statistics for the first half of 2019. Investment in infrastructure (excluding electricity, heat, gas and water production and supply) recorded a year-on-year increase of 7.8%, among which, the investment in administration of water conservancy, investment in the administration of public facility, investment in road transportation and investment in rail transportation industry increased by 10.7%, 6.2%, 6.5% and 0.4% respectively. From a regional perspective, the investment in Eastern China recorded a year-on-year increase of 11.2%, while the investments in Central China, Western China and Northeastern China increased by 22.3%, 11.4% and 11.8% respectively. The investment in real estate development for China was RMB7.2179 trillion, a year-on-year increase of 15.0%, and increased by 17.2% when compare with the first half of 2019 (source: National Bureau of Statistics).

In the first half of 2021, Henan Province's investment in fixed assets recorded a year-on-year increase of 7.8%. Its investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 9.6%, which is 1.8 percentage points higher than the growth in the investments of fixed assets. Among which, the investments in the administration of water conservancy, environment and public facility (excluding land management industry) achieved a year-on-year increase of 4.8%, while the investments in transportation and postal services increased by 19.4%. The investment in real estate development for Henan Province increased by 11.5%, and is 3.7 percentage points higher than the growth in investments of fixed assets (source: Henan Province Bureau of Statistics).

In the first half of 2021, Liaoning Province's investment in fixed assets achieved a year-on-year increase of 8.6%. The year-on-year increase for infrastructure investment is 16.5%, among which the increase in investments for road transportation and administration of public facilities are 61.4% and 17.9% respectively. The growth in the investment in real estate development in Liaoning Province is 8.4% (source: Liaoning Province Bureau of Statistics).

The above data from the different bureaus of statistics of China show that in the first half of 2021, when focusing on the investments in infrastructure which has a higher correlation with the demand for cement, the increase in investments in infrastructure nationwide records a year-on-year increase of 7.8%, while for Henan Province and Liaoning Province, which are the principal places of business of the Group, the investment in real estate development and the growth in investments in infrastructure nationwide are lower than the national average level, while the growth in infrastructure is higher than the national average. The high growth in regional infrastructure investment provides a strong support to the demand in the cement market of the region.



Management Discussion and Analysis

CEMENT INDUSTRY

The national production volume of cement reached a historical high during the first half of 2021 at 1.147 billion tonnes, with a year-on-year increase of 14%. The average increase is approximately 4.2% for the last two years, while the national aggregate production volume of cement maintains a relatively stable growth. On the front of monthly movement, the national measures for growth stabilization continued to have a favourable effect to the demand of cement between January and April, the advocacy from government on celebrating the Chinese new year by staying at the current place of residence has an effect on faster resumption of market after the Chinese new year, together with the low base number from the same period last year, the national monthly and aggregate production volumes of cement recorded a high growth of 30%. However, since May, the continuous severe precipitation and the slowdown in progress of some projects due to the increase in the price of commodities led to a retreat in demand earlier than previous years, with the effect of the base number from last year, the production volume of cement recorded a negative year-on-year increases for consecutive two months in May and June at -3.17% and -2.93% respectively. The growth in national aggregate production volume of cement has decreased progressively to 14%.

During the first half of the year, the national market price of cement experienced a general wide fluctuation at high level, during the initial stage the price maintains at a high level and the trend of continuous increase exists, and the market price reaches its height in recent years. However, at later stage there is a greater downward adjustment in the price. Although from a historical perspective the overall average price is still at a relatively reasonable level, with a substantial increase in the price of raw materials (such as coal) during the year as a backdrop, the interim decrease in the profit of cement industry and enterprise has been more evident.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,732.8 million in the first half of 2021, representing an increase of RMB479.1 million, or an increase of 9.1%, from approximately RMB5,253.7 million in the same period of 2020.

Among others, the revenue from cement sales was approximately RMB5,086.1 million, representing an increase of 7.4%, as compared with approximately RMB4,736.7 million in the same period of 2020. Our sales volume of cement increased by 1.7 million tonnes or 10.6%, from approximately 15.8 million tonnes in the first half of 2020 to approximately 17.5 million tonnes in the first half of 2021. The increase in revenue was mainly due to the growth in sales volume of cement.



Management Discussion and Analysis

Revenue from our sales of limestone aggregate amounted to approximately RMB454.7 million, representing an increase in RMB113.1 million, or 33.1%, from approximately RMB341.6 million in the same period of 2020. The sales volume of aggregate amounted to approximately 8.6 million tonnes, representing an increase of approximately 1.2 million tonnes or 15.9% as compared to approximately 7.4 million tonnes in the same period of 2020. The increase in revenue was mainly attributable to the increase in both sales volume and sales price of aggregate.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in the first half of 2021 were primarily used to satisfy the internal demand for clinker in our cement production. Only approximately 0.7 million tonnes of the Group's clinkers were sold externally. Approximately RMB192.0 million of revenue generated from our clinker sales was recorded in the first half of 2021, representing an increase of RMB16.6 million, or 9.5%, from approximately RMB175.4 million in the same period of 2020. The increase in revenue was mainly due to the increase in the prices of clinkers.

In the first half of 2021, the Group's sales revenue from the Central China region amounted to approximately RMB4,408.6 million, representing an increase of RMB326.1 million or 8.0% compared to approximately RMB4,082.5 million in the same period of 2020. The Group's sales revenue from the Northeastern China region amounted to approximately RMB1,324.2 million, representing an increase of RMB153.0 million or 13.1% compared to approximately RMB1,171.2 million in the same period of 2020.

In the first half of 2021, revenue from our sales of cement, clinker and limestone aggregate accounted for approximately 88.7% (same period of 2020: 90.2%), 3.3% (same period of 2020: 3.3%) and 8.0% (same period of 2020: 6.5%) of the total revenue, respectively.

Cost of Sales

There is a continuous increase in the price of rough coal during the first half of 2021. We minimize the effect of the increase in the prices of rough coal and other raw materials on the unit production costs of cement and clinker by leveraging our economies of scale and through centralized procurement. Our cost of sales was approximately RMB3,978.9 million during the Reporting Period, representing an increase of RMB460.9 million, or 13.1% as compared with the first half of 2020. The increase was primarily due to increase in the purchasing prices of rough coal and certain raw materials.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In the first half of 2021, our costs of raw materials, coal and electricity as a percentage of cost of sales were approximately 40.5% (first half of 2020: 43.3%), 35.4% (first half of 2020: 29.6%) and 12.5% (first half of 2020: 14.3%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity consumed for one tonne of product produced were approximately RMB60.2 (first half of 2020: RMB63.6), RMB52.6 (first half of 2020: RMB43.5) and RMB18.6 (first half of 2020: RMB21.0), respectively, representing a decrease of RMB3.5, an increase of RMB9.1 and a decrease of RMB2.5, respectively, as compared with the same period of 2020.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB1,753.9 million in the first half of 2021, representing an increase of RMB18.3 million, or 1.1%, from approximately RMB1,735.6 million in the same period of last year. The gross profit margin decreases to 30.6% in the first half of 2021, as compared to 33.0% in the same period of 2020. The decrease in gross profit margin was primarily due to decrease in the price of cement in the first half of 2021.



Management Discussion and Analysis

In the first half of 2021, the Group's segment profit from the Central China Region amounted to approximately RMB841.6 million, representing a decrease of approximately RMB91.1 million or 9.8% compared to approximately RMB932.7 million in the same period of 2020. The decrease was due to the decrease in the selling price of cement in the region. The Group's segment profit from the Northeastern region amounted to approximately RMB157.8 million, representing an increase of RMB69.5 million or 78.7% compared to a segment profit of approximately RMB88.3 million in the same period of 2020. The increase in segment profit was mainly attributable to the increase in sales volume and sale price of cement in the Northeastern region.

Other income

Other income was approximately RMB335.4 million for the first half of 2021, representing an increase of RMB38.9 million, or 13.1%, from approximately RMB296.5 million for the same period of 2020. The increase was primarily due to the increase in interest income on bank deposits, software income and revenue from sales of materials under other net profit.

Selling and Distribution Expenses

In the first half of 2021, selling and distribution expenses were approximately RMB200.4 million, representing an increase of RMB29.0 million or 16.9% as compared to approximately RMB171.4 million for the same period of 2020. This was mainly due to the increase in sales volume of cement which has led to an increase in transportation cost and packaging cost.

Administrative Expenses

Administrative expenses were approximately RMB425.2 million for the first half of 2021, representing an increase of RMB151.6 million, or an increase of 55.4%, from approximately RMB273.6 million for the same period of 2020. The increase in administrative expenses was mainly due to the inclusion of research and development expenses and the increase of relevant expenses as a result of the implementation of "Green Mines" project.

Finance Costs

Finance costs were approximately RMB505.8 million for the first half of 2021, representing a decrease of RMB59.9 million, or a decrease of 10.6%, from approximately RMB565.7 million for the first half of 2020. The decrease was primarily attributable to the decrease in the borrowings and bonds progressively.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB987.8 million for the first half of 2021, representing a decrease of approximately RMB24.7 million, or approximately 2.4%, from approximately RMB1,012.5 million for the same period of 2020.

Income Tax Expenses

Income tax expenses were approximately RMB192.8 million for the first half of 2021, representing a decrease of RMB47.5 million, or 19.8% from approximately RMB240.3 million for the same period of 2020. The main reasons behind such change were that there was a reduction of the EIT rate to 15.0% for nine of our subsidiaries after they were recognised as Enterprises of High and New Technology, and a decrease in profit before tax during the Reporting Period.



Management Discussion and Analysis

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 first half of 2021 was approximately RMB751.6 million, representing an increase of RMB32.6 million, or 4.5%, from approximately RMB719.0 million for the same period of 2020. The net profit margin for the first half of 2021 was 13.1%, representing a decrease of 0.6 percentage point as compared with the same period of 2020.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables decreased from RMB8,080.3 million as at 31 December 2020 to RMB6,371.0 million as at 30 June 2021, mainly due to the decrease in the recovery of cash from bills receivables matured in the end of the previous period.

Inventories

Inventories decreased from approximately RMB1,039.4 million as at 31 December 2020 to approximately RMB968.0 million as at 30 June 2021, primarily due to the decrease in the inventory amount.

Amount due from associates

The amounts due from associates of approximately RMB1,167.9 million as of 30 June 2021 (31 December 2020: approximately RMB1,319.4 million) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited for the clinker purchased under the Clinker Supply Framework Agreement as set out in the circular dated 31 October 2019, and shareholder loan due from an associate, China United Cement Xinan Wanji Co., Ltd. which is indirectly held as to 49% by the Company.

Loan from an associate

The loan from an associate in the amount of RMB1,000 million represents the loan provided by Tianrui Finance to the Group pursuant to the 2019 Financial Services Agreement, details of which are set out in the circular dated 5 December 2019.

Cash and Cash Equivalents

Cash and bank balance decreased from RMB2,412.1 million as at 31 December 2020 to RMB2,278.6 million as at 30 June 2021, 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 increased from RMB4,715.7 million as at 31 December 2020 to RMB4,727.9 million as at 30 June 2021, mainly due to the changes in the balance of bills payables and payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB9,634.4 million as at 30 June 2021, a decrease of approximately RMB1,590.1 million from RMB11,224.5 million as at 31 December 2020. Borrowings due within one year, corporate bonds and other financial liabilities (including bonds due within one year) decreased from RMB7,779.9 million as at 31 December 2020 to RMB5,302.7 million as at 30 June 2021. Borrowings due after one year, guaranteed mid-term notes, long-term corporate bonds and other financial liabilities increased from RMB3,444.7 million as at 31 December 2020 to RMB4,331.7 million as at 30 June 2021, representing an increase of approximately 25.8%. There is no seasonality in relation to the borrowing requirements of the Group.



Management Discussion and Analysis

Principal sources of liquidity

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

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

As at 30 June 2021, our gearing ratio was 50.6%, representing a decrease of 3.7 percentage points from 54.3% as at 31 December 2020. The change of gearing ratio was due to the increase in equity of the owners.

As at 30 June 2021, our current ratio was 1.4, representing an increase of 19.4% from 1.2 as at 31 December 2020; our quick ratio was 1.3, representing an increase of 19.8% from 1.1 as at 31 December 2020.

As at 30 June 2021, our debt equity ratio was 1.0, representing a decrease of 0.2 or 13.9% from 1.2 as at 31 December 2020.

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 or non-controlling interest

NET GEARING RATIO

As at 30 June 2021, the net gearing ratio was approximately 14.1%, representing a decrease of 21.8 percentage points from 35.9% as at 31 December 2020. 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 first half of 2021 was approximately RMB136.3 million (first half of 2020: approximately RMB333.0 million) and capital commitments as at 30 June 2021 was approximately RMB207.3 million (as at 31 December 2020: approximately RMB295.4 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 30 June 2021, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,079.0 million (as at 31 December 2020: approximately RMB4,252.6 million).



Management Discussion and Analysis

FINANCIAL GUARANTEES

As at 30 June 2021, we have provided approximately RMB1,657.8 million (as at 31 December 2020: approximately RMB2,093.5 million) of authorized financial guarantees to related parties, among which approximately RMB1,227.0 million (as at 31 December 2020: approximately RMB1,386.4 million) have been utilized. We did not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees (as defined in the circular of the Company dated 5 December 2019) according to the 2019 Framework Agreement in relation to provision of mutual guarantees, the details of which are set out in the circular of the Company 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.

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

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 hedging policy on foreign currency in relation to foreign currency exposure. However, the management will closely monitor risks associated to HK\$ and US\$ and will consider to hedge material currency exposure if necessary.

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.



Management Discussion and Analysis

Employees and Remuneration Policy

As at 30 June 2021, the Group had 7,434 employees (as at 30 June 2020: 7,633). As at 30 June 2021, the employees' cost (including remuneration) was approximately RMB269.9 million (first half of 2020: approximately RMB234.4 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

The economy of China still faces the downward pressure during the second half of 2021. In July, heavy rain hits places like Henan which leads to a severe flooding, and the situation of pandemic prevention and control becomes tense as the coronavirus pandemic emerges in several places in China. Since Chinese government possesses extensive experience in the prevention and control of pandemic, we believe the pandemic will be effectively under control as soon as practicable. It is expected that Chinese government may further enhance the construction of infrastructure in order to address the impacts of flooding and coronavirus pandemic on economy and to implement works on "stability in six areas" and "six priorities", among which, the investments in important water conservancy project, urban drainage facilities and urban transportation facilities will specially support and stimulate the demand for cement.

According to the analysis from China Cement Association, from the perspective of development of policy, the new policy of capacity replacement promulgated by Ministry of Industry and Information Technology has increased the replacement ratio substantively. The ratio increased from 1:1.5 to 1:2 for key air pollution control regions, while the ratio for non-key air pollution control regions has been adjusted from 1:1.25 to 1:1.5, and a stricter requirement on limit is imposed for the replacement indicator. Such measure will have an important effect on further reduction in production capacity at the later stage, which will be beneficial to solve the problem of overcapacity and realizing the "dual-carbon" goal. In the meantime, the industry regards the reduction in pollution and carbon as the focus following the normalized peak shifting production arrangements, it promotes the high quality of green and low carbon development for enterprises, and at the same time a binding indicator on carbon quota is expected to be established, thus inevitably there will be constraints to the demand and supply of cement. This will be beneficial to mitigate the contradiction between demand and supply of the industry, and to promote the structural adjustment on the supply side and a more positive development to the industry.



Management Discussion and Analysis

According to the prediction from China Cement Association, the annual domestic production volume of cement in the second half of the year is generally unchanged when compare to the one from last year, while there is no change to the characteristic which demand remains in a flat period. Starting from July, the month-on-month production volume will return to the positive growth, however, the year-on-year production volume may remain weak. The domestic cement price shows a downward trend since July due to the severe participation, and the price is lower than the one from the same period last year. It is expected that starting from August, the market demand will continue to recover with the diminishing unfavourable factors. The mindset of cement enterprises will also be adjusted and self-disciplinary measures will be adopted again, it is anticipated that the cement price will be recovered and increased continuously, and the price is expected to return to the same level from the corresponding period of last year.

The businesses of the Group mainly locate in Central China and Northeastern China. Central China, especially Henan, has been hit by the extremely rare torrential rain in July. With the enhancement in reconstruction works by the government after the disaster, it is expected that the demand for cement will increase. In the Northeastern China, there was a more rapid investment in infrastructure during the first half of the year, it is expected that such trend will extend to the second half of the year, and provide a further support to the demand of cement. The Group will take the opportunity in markets from Central China and Northeastern China by leveraging the regional advantages, to optimize its sales in locality while at the same time further exploits the market in the coastal region, in order to expand its market area and enhance the sales volume of its products. The Group will further strengthen the internal operational control, and to further reduce the costs in different segments including purchasing, production and sales, and to exploit the potential and enhance the efficiency, and to strive for mitigating the effect of external factors such as flooding and pandemic on the business of the Company, and continue to maintain and enhance the regional competitive advantage.

Disclosure of Interests

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

As at 30 June 2021, 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 2021, based on the disclosure of interest forms filed, Yu Kuo pledged its 580,000,000 shares of the Company (approximately 19.74% of the issued share capital of the Company) in favour of third parties.

Save as disclosed above, as at 30 June 2021, 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 2021, 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	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/ Long position	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	470,000,000	16.00

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
China Huarong (Macau) International Company Ltd	Interest of controlled corporation/ Long position	170,000,000	5.79

- (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 2021, Yu Kuo pledged its 580,000,000 shares (approximately 19.74% 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 2021, 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 2021 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 2021, 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 2021, 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 with the stock code as 691.HK and engages in the clinker and cement production in the PRC, none of the Directors nor 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 2021. 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) 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 2021, 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 an initial term of 12 months from drawdown which may be extended and 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.



Disclosure of Interests

- (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 30 June 2021, 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 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 is actively looking for 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 chairman of the Board is not included in the Executive Committee and this ensures that the authority will not be concentrated in one person.

COMPLIANCE WITH MODEL CODE BY DIRECTORS

The Company has adopted 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 2020: 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 2021 as well as this interim report. The financial information in the condensed consolidated financial statements of the interim results and this report 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 2021

	Notes	For the six months ended 30 June	
		2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Revenue	4, 5	5,732,761	5,253,673
Cost of sales		(3,978,880)	(3,518,048)
Gross profit		1,753,881	1,735,625
Other income	6	335,395	296,508
Other gains and losses	7	21,177	(29,638)
Share of profit of associates		30,960	40,743
Selling and distribution expenses		(200,391)	(171,427)
Administrative expenses		(425,244)	(273,583)
Other expenses		(22,124)	(20,034)
Finance costs	8	(505,829)	(565,672)
Profit before tax		987,825	1,012,522
Income tax expense	9	(192,815)	(240,283)
Profit and total comprehensive income for the period	10	795,010	772,239
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		751,571	718,959
Non-controlling interests		43,439	53,280
		795,010	772,239
Earnings per share			
Basic (RMB)	11	0.26	0.24

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	10,195,991	10,572,135
Long-term deposits	14	650,368	682,778
Right-of-use assets		881,437	892,434
Mining rights		1,397,585	1,408,155
Goodwill		294,014	294,014
Interests in associates		1,097,477	1,076,289
Derivative financial instruments		1,246	1,246
Deferred tax assets		156,274	156,836
Pledged bank balances		108,148	108,148
Amounts due from associates	17	414,654	415,431
Other prepayments		850,391	850,391
		16,047,585	16,457,857
CURRENT ASSETS			
Inventories		968,010	1,039,363
Trade and other receivables	15	6,370,994	8,080,329
Amounts due from an associate	17	753,223	904,000
Financial assets at fair value through profit or loss		2,408	2,408
Pledged bank balances	16	5,183,721	3,543,429
Cash, deposits and bank balances	18	2,278,558	2,412,115
		15,556,914	15,981,644
CURRENT LIABILITIES			
Trade and other payables	19	4,727,949	4,715,714
Contract liabilities		339,562	368,242
Other financial liabilities		352,615	464,859
Loan from an associate — due within one year	20	550,000	1,200,000
Long-term corporate bonds — due within one year	23	—	2,136,291
Lease liabilities — due within one year		18,837	24,996
Borrowings — due within one year	21	4,400,051	3,978,711
Current tax liabilities		542,681	525,694
Financial guarantee contracts		10,310	11,641
		10,942,005	13,426,148
NET CURRENT ASSETS		4,614,909	2,555,496
TOTAL ASSETS LESS CURRENT LIABILITIES		20,662,494	19,013,353

Condensed Consolidated Statement of Financial Position

As at 30 June 2021

	Notes	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		24,183	24,183
Share premium and reserves		15,421,438	14,669,867
Equity attributable to owners of the Company		15,445,621	14,694,050
Non-controlling interests		172,287	128,848
TOTAL EQUITY		15,617,908	14,822,898
NON-CURRENT LIABILITIES			
Loan from an associate — due after one year	20	450,000	—
Borrowings — due after one year	21	2,195,928	1,714,083
Guaranteed notes	22	904,414	897,714
Long-term corporate bonds	23	65,734	66,490
Other financial liabilities		715,618	766,386
Lease liabilities — due after one year		18,736	18,736
Deferred tax liabilities		175,694	176,176
Deferred income		136,090	140,379
Provision for environmental restoration		37,357	39,216
Other long-term payable		345,015	371,275
		5,044,586	4,190,455
		20,662,494	19,013,353

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2021

	Attributable to owners of the Company							Total	Non-controlling interest	Total equity
	Issued capital	Share premium	Capital reserve	Statutory reserve fund	Other reserve	Revaluation reserve	Retained earnings			
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At 1 January 2020	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	—	—	—	—	—	—	1,860,580	1,860,580	109,870	1,970,450
Appropriation of statutory reserve	—	—	—	201,230	—	—	(201,230)	—	—	—
Appropriation of security fund	—	—	—	—	693	—	—	693	—	693
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	(117,050)	(117,050)
Financial guarantee provided to related parties	—	—	—	—	(6,786)	—	—	(6,786)	—	(6,786)
At 31 December 2020	24,183	1,066,648	789,990	1,494,538	1,029,562	31,768	10,257,361	14,694,050	128,848	14,822,898
Profit for the period and total comprehensive income	—	—	—	—	—	—	751,571	751,571	43,439	795,010
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	—	—
At 30 June 2021	24,183	1,066,648	789,990	1,494,538	1,029,562	31,768	11,008,932	15,445,621	172,287	15,617,908
At 1 January 2020	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

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 RMB51,358,000 (2020: RMB51,358,000); 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 2021 (2020: 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 2021

	Six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Net cash generated from operating activities	2,518,152	1,770,567
Investing activities		
Interest received	36,915	27,090
Payments for property, plant and equipment	(56,010)	(151,515)
Payments for right-of-use assets	(10,997)	(6,332)
Proceeds from disposal of property, plant and equipment	790	4,724
Payments for mining rights	(10,570)	(22,375)
Changes of deposits paid for acquisition of business, property, plant and equipment and prepaid lease payments	32,410	511,536
Increase in restricted pledged bank balances	(1,640,292)	(70,701)
Net cash (used in) from investing activities	(1,647,754)	292,427
Financing activities		
Interest paid	(506,320)	(569,855)
Dividend paid	—	(60,267)
Repayment of borrowings	(2,913,977)	(3,344,570)
New borrowings raised	3,817,162	2,064,400
Repayment of loan from an associate	(200,000)	—
Repayment of short-term debenture	(1,200,840)	(26,132)
Net cash used in financing activities	(1,003,955)	(1,936,424)
Increase in cash and cash equivalents	(133,557)	126,570
Cash and cash equivalents at beginning of year	2,412,115	1,828,833
Cash and cash equivalents at end of the year represented by cash and bank balances	2,278,558	1,955,403

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 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 CONDENSED 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.

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.

The accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended June 30, 2021 are the same as those followed in the preparation of the Group’s annual consolidated financial statements for the year ended December 31, 2020.

In the current interim period, the Group has applied the following amendments to International Financial Reporting Standards (“IFRSs”) which are mandatorily effective for the current interim period:

Amendment to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

The application of the amendments to IFRSs in the current interim period has had no material effect on the amounts reported and/or disclosures in these condensed consolidated financial statements.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2021 RMB'000 (unaudited)	For the six months ended 30 June 2020 RMB'000 (unaudited)
Sales of cement	5,086,101	4,736,692
Sales of clinker	191,995	175,412
Sales of limestone aggregate	454,665	341,569
	5,732,761	5,253,673
Revenue recognition at a point in time	5,732,761	5,253,673

The Group sells cement, clinker and limestone 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

5. SEGMENT INFORMATION — continued

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

	Segment revenue For the six months ended 30 June		Segment profit For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Central China	4,408,573	4,082,481	841,638	932,743
Northeastern China	1,324,188	1,171,192	157,786	88,319
Total	5,732,761	5,253,673	999,424	1,021,062
Unallocated corporate administrative expenses			(11,599)	(8,540)
Profit before tax			987,825	1,012,522

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 external customers. There are no inter-segment sales.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

6. OTHER INCOME

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Value-added tax refund	140,491	151,472
Incentive subsidies	2,515	19,756
Interest on bank deposits	36,915	27,090
Rental income	13,339	6,806
Reversal of deferred income	746	746
Other profit, net	123,452	82,148
Software service income	15,935	5,775
Others	2,002	2,715
	335,395	296,508

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Foreign exchange gain/(loss), net	20,719	(30,101)
Gain on disposal of property, plant and equipment, net	458	463
	21,177	(29,638)

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

8. FINANCE COSTS

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Interest on:		
Bank and other borrowings	302,514	326,683
Bills discounted with recourse	146,186	106,824
Guaranteed notes	53,963	59,137
Long-term corporate bonds	2,124	75,864
Lease liabilities	1,513	1,347
	506,300	569,855
Less: amounts capitalized	(471)	(4,183)
	505,829	565,672

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 6.54% per annum (2020: 7.13% per annum) for the period ended 30 June 2021.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
PRC Enterprise Income Tax ("EIT")		
— current interim period	199,069	269,310
— overprovision in prior years	(6,334)	(25,031)
	192,735	244,279
Deferred tax	80	(3,996)
	192,815	240,283

Some subsidiaries of the Group operating in the PRC are eligible for preferential tax rate of 15% under relevant preferential tax policy for high-technology enterprises starting from financial year 2020 for a period of 3 years.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

9. INCOME TAX EXPENSE — continued

Under the Law of the PRC on Enterprise Income Tax (the “EIT Law”) and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2020: 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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Depreciation of property, plant and equipment	400,886	400,059
Amortization of right-of-use assets	20,366	15,884
Amortization of mining rights, included in cost of sales	10,570	10,040
Total depreciation and amortization, in aggregate	431,822	425,983
Cost of inventories recognized as an expense	3,978,880	3,518,048
Staff costs including retirement benefit	269,907	234,366

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	
	2021 RMB'000 (unaudited)	2020 RMB'000 (unaudited)
Earnings		
Profit for the period attributable to owners of the Company	751,571	718,959
Number of shares		
Weighted average number of shares for the purpose of calculating basic earnings per share	2,938,282	2,938,282

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

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 RMB332,000 (for the six months ended 30 June 2020: RMB4,261,000) for cash proceeds of RMB790,000 (for the six months ended 30 June 2020: RMB4,724,000), resulting in a gain on disposal of RMB458,000 (for the six months ended 30 June 2020: RMB463,000).

As at 30 June 2021, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB535,969,000 (31 December 2020: RMB549,741,000).

14. LONG-TERM DEPOSITS

As at 30 June 2021 and 31 December 2020, 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 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade receivables	642,635	214,788
Less: allowance for bad debts losses	(59,919)	(59,919)
	582,716	154,869
Other receivables	335,837	328,382
Less: allowances of credit losses	(47,340)	(47,340)
	288,497	281,042
Bills receivables	1,923,962	3,762,867
Advances to suppliers	4,287,295	4,642,403
Prepayments for various taxes	138,914	89,539
	7,221,384	8,930,720
Less: Prepayment to suppliers classified under non-current assets	(850,391)	(850,391)
	6,370,993	8,080,329

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

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 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within 90 days	509,779	144,540
91–180 days	65,730	3,993
181–360 days	4,473	6,209
1 year to 2 years	2,734	127
Total	582,716	154,869

16. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2021 for (i) securing bank borrowings granted to the Group amounting to RMB926,162,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB4,257,559,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB108,148,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2020 for (i) securing bank borrowings granted to the Group amounting to RMB562,455,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,980,974,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB108,148,000.

The restricted bank balances carried interest at market rates of 0.35% to 2.1% per annum as at 30 June 2021 (31 December 2020: 0.35% to 2.1% per annum).

17. AMOUNTS DUE FROM A RELATED PARTY

The amounts due from an associate of approximately RMB1,167,877,000 as at 30 June 2021 (2020: approximately RMB1,319,431,000) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited (which 49% equity interest is indirectly held by the Company) for the clinker purchase in 2020 under the Clinker Supply Framework Agreement set out in the circular dated 31 October 2019.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

18. CASH, DEPOSITS AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2021, bank balances carried interest at market rates of 0.30% and 1.8% per annum (31 December 2020: 0.30% and 1.8% per annum).

19. TRADE AND OTHER PAYABLES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Trade payables	796,458	867,343
Bills payables	3,518,515	3,170,900
Construction costs payables	204,705	364,376
Other advances	40,594	81,773
Other tax payables	23,663	52,026
Other long-term payables — current portion	41,253	41,253
Other payables and accrued expenses	102,761	138,043
	4,727,949	4,715,714

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 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within 1–90 days	447,854	418,228
91–180 days	84,464	156,686
181–365 days	91,756	97,253
Over 1 year	172,384	195,176
Total	796,458	867,343

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

20. BORROWINGS FROM AN ASSOCIATE

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Borrowings from Tianrui Finance	1,000,000	1,200,000
Less: Amounts due within one year	(550,000)	(1,200,000)
Amounts due after one year	450,000	—

The borrowings from Tianrui Finance are unsecured, bears interest rate ranging from 3.05% to 4.56% (2020: ranging from 3.05% to 4.56%) per annum and repayable by instalments.

21. BORROWINGS

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Bank borrowings:		
— Fixed-rate	3,778,751	3,474,542
— Variable-rate	746,000	510,000
Other borrowings from non-bank financial institutions:		
— Fixed-rate	2,071,228	1,462,673
	6,595,979	5,447,215
Bank borrowings relating to bills discounted with recourse	—	245,579
	6,595,979	5,692,794
Secured	4,228,354	3,239,790
Unsecured	2,367,625	2,453,004
	6,595,979	5,692,794

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

21. BORROWINGS — continued

The borrowings are repayable as follows:

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Within one year	4,400,051	3,978,711
More than one year, but not exceeding two years	1,291,188	511,660
More than two years, but not exceeding five years	904,740	1,202,423
	6,595,979	5,692,794
Less: Amounts due within one year shown under current liabilities	(4,400,051)	(3,978,711)
Amounts due after one year	2,195,928	1,714,083

During the current interim period, the Group obtained new bank loans amounting to RMB3,817,162,000 (30 June 2020: RMB2,064,400,000). The loans carried interest at market rates of 4.0% to 12.0% (31 December 2020: 4.05% 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.

22. GUARANTEED NOTES

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Guaranteed notes	904,414	897,714
	904,414	897,714

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 arrear 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

22. GUARANTEED NOTES — continued

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 (which hold at least 25% in aggregate principal amount of the Notes then outstanding) may demand the Group to redeem all the Notes held by the noteholder 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.

23. LONG-TERM CORPORATE BONDS

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Long-term corporate bonds	65,734	2,202,781
Less: Amounts due within one year	—	(2,136,291)
Amounts due after one year	65,734	66,490

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 these bonds were matured in 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.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

24. ISSUED CAPITAL

The Company

	Number of shares	Share capital	
		HK\$'000	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 1 January 2020, 31 December 2020 and 30 June 2021	10,000,000,000	100,000	81,070
Shares issued			
At 1 January 2020, 31 December 2020 and 30 June 2021	2,938,281,647	29,383	24,183

25. PLEDGE OF ASSETS

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

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Property, plant and equipment	2,759,992	3,033,573
Right-of-use assets	220,444	479,559
Mining rights	172,443	177,057
Pledged bank balances	926,162	562,455
	4,079,041	4,252,644

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2021

26. CAPITAL COMMITMENTS

	As at 30 June 2021 RMB'000 (unaudited)	As at 31 December 2020 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided for in the condensed consolidated financial statements	207,335	295,428

27. RELATED PARTY DISCLOSURES

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

Nature of transaction	Name of related company	Note	Six months ended 30 June	
			2021 RMB'000 (unaudited)	2020 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	388,698	305,864
			388,698	305,864
Office rental expenses	Tianrui Group Company Limited (天瑞集團股份有限公司)		900	900

Note:

- i. An associate of the Group.

Financial guarantees

On 30 June 2021, other than the authorized financial guarantee provided to related parties of approximately RMB1,657,765,000 (31 December 2020: RMB2,093,527,000), of which approximately RMB1,226,969,000 (31 December 2020: RMB1,386,364,000) were utilized, we do not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees (as defined in the circular of the Company dated 5 December 2019) according to the 2019 Framework Agreement in relation to provision of mutual guarantees, the details of which are set out in the circular of the Company dated 5 December 2019.

The management considers the risk of the financial guarantees and recognised financial guarantee liabilities of RMB10,310,000 (31 December 2020: RMB11,641,000) in the consolidated financial statement.