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

ANNOUNCEMENT OF INTERIM RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
Revenue	**3,785,215**	3,095,494
Gross profit	**1,173,977**	776,065
Gross profit margin	**31.0%**	25.1%
Profit	**490,131**	162,874
EBITDA	**1,436,497**	987,432
Profit attributable to owners of the Company	**489,474**	178,050
Basic earnings per share *(RMB)*	**0.17**	0.07

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
Total assets	**24,865,568**	24,116,401
Total liabilities	**15,586,823**	16,476,711
Equity attributable to owners of the Company	**9,024,730**	7,758,372

INTERIM RESULTS

The board (the "Board") of directors (the "Directors") of China Tianrui Group Cement Company Limited (the "Company") announces the unaudited consolidated results of the Company and its subsidiaries (collectively, the "Group", "our Group", "our" or "we") for the six-month period ended 30 June 2017 ("Reporting Period"), together with the comparative figures for the six-month period ended 30 June 2016, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2017	2016
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**3,785,215**	3,095,494
Cost of sales		**(2,611,238)**	(2,319,429)
Gross profit		**1,173,977**	776,065
Other income	6	**223,884**	195,675
Selling and distribution expenses		**(161,212)**	(141,784)
Administrative expenses		**(150,320)**	(171,217)
Other expenses		**(12,458)**	(20,018)
Finance costs	7	**(449,255)**	(416,282)
Profit before tax		**624,616**	222,439
Income tax expense	8	**(134,485)**	(59,565)
Profit and total comprehensive income for the period	9	**490,131**	162,874
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**489,474**	178,050
Non-controlling interests		**657**	(15,176)
		490,131	162,874
Earnings per share			
Basic *(RMB)*	11	**0.17**	0.07

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	12	**12,670,308**	11,903,679
Deposits and advances	13	**1,693,010**	2,204,893
Prepaid lease payments		**1,036,459**	801,942
Mining rights		**390,386**	249,902
Goodwill		**275,489**	275,489
Other intangible assets		**5,393**	5,798
Interest in an associate		**110,917**	109,523
Derivative financial assets		—	761,065
Deferred tax assets		**154,002**	154,002
		16,335,964	16,466,293
CURRENT ASSETS			
Derivative financial assets		**228,532**	—
Inventories		**837,379**	750,671
Trade and other receivables	14	**1,938,237**	2,742,283
Amounts due from related parties		**775,207**	323,774
Pledged bank balances	15	**3,602,221**	3,107,202
Cash and bank balances	16	**1,148,028**	726,178
		8,529,604	7,650,108
CURRENT LIABILITIES			
Trade and other payables	17	**2,970,393**	3,584,279
Income tax payables		**273,534**	273,362
Mid-term debentures — due within one year	19	**2,813,029**	2,275,183
Borrowings — due within one year	18	**5,052,611**	5,921,033
Obligations under finance leases		—	28,861
Financial guarantee contracts		**24,187**	26,875
		11,133,754	12,109,593
NET CURRENT LIABILITIES		**(2,604,150)**	(4,459,485)
TOTAL ASSETS LESS CURRENT LIABILITIES		**13,731,814**	12,006,808

	Notes	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
CAPITAL AND RESERVES			
Issued capital		**24,183**	19,505
Share premium and reserves		**9,000,547**	7,738,867
Equity attributable to owners of the Company		**9,024,730**	7,758,372
Non-controlling interests		**254,015**	(118,682)
TOTAL EQUITY		**9,278,745**	7,639,690
NON-CURRENT LIABILITIES			
Borrowings — due after one year	18	**1,134,446**	528,684
Mid-term debentures	19	**—**	500,000
Long-term corporate bonds	20	**3,061,892**	3,075,350
Deferred tax liabilities		**62,947**	66,527
Deferred income		**173,333**	174,717
Provision for environmental restoration		**20,451**	21,840
		4,453,069	4,367,118
		13,731,814	12,006,808

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

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 PRC.

The Company is an investment holding company. The principal activities of its subsidiaries are manufacture and sale of cement and clinker.

The condensed consolidated financial statements of the Company and its subsidiaries (collectively referred to as the "Group") have been prepared in accordance with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and with International Accounting Standard ("IAS") 34, Interim Financial Reporting.

2. BASIS OF PREPARATION OF CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

As at 30 June 2017, the Group's current liabilities exceeded its current assets by RMB2,604,150,000. The Group's current liabilities mainly included trade and other payables, debentures and borrowings.

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.

The condensed consolidated financial statements have been prepared on a going concern basis. In the opinion of the Directors of the Company, the Group should be able to continue as a going concern in the coming twelve months taking into consideration of various measures to improve its financial position which include, but are not limited to, the following:

(i) Unutilized banking facilities of RMB2,542,900,000 in aggregate which have been obtained before 30 June 2017.

(ii) On 9 November 2015, the Group obtained an approval from the National Association of Financial Market Institutional Investors (中國銀行間交易商協會) to issue corporate debentures in an aggregate amount of RMB1,000,000,000 with a term of two years. The lead underwriter was Bank of Nanjing Company Limited.

Taking into account of the aforesaid presently available banking facilities, amount of notes issued and internally generated funds of the Group, the Directors of the Company are satisfied that the Group is able to meet in full its financial obligations as they fall due in the foreseeable future and therefore the condensed consolidated financial statements are prepared on a going concern basis.

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.

Except as described below, the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2017 are the same as those followed in the preparation of the Group's annual financial statements for the year ended 31 December 2016.

In the current interim period, the Group has applied, for the first time, the following amendments to International Financial Reporting Standards ("IFRSs") issued by the International Accounting Standards Board that are mandatorily effective for the current interim period.

Amendment to IAS 7	Disclosure Initiative
Amendment to IAS 12	Recognition of Deferred Tax Assets for Unrealised losses
Amendment to IFRS 12	Included in Annual Improvement to IFRS Standards 2014–2016 Cycle

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

4. REVENUE

Revenue represents the amount received and receivable for goods sold to external customers, net of sales tax. An analysis of the Group's revenue for the period is set out below:

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**3,598,937**	2,985,634
Sales of clinker	**186,278**	109,860
	3,785,215	3,095,494

5. SEGMENT INFORMATION

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

The Group's general manager reviews the operating results and financial information of each manufacturing plant for the purposes of resource allocation and performance assessment. Hence, each manufacturing plant is an operating segment. The nature of products and production process of each manufactory plant are the same and they are operated under similar regulatory environment and applied similar distribution methods. However, customers in different regions are of different economic characteristics. Therefore, the Group has aggregated the operating segments and presented the following two reportable segments based on the regions in which the Group operates: Central China and Northeastern China.

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

	Segment revenue		Segment profit	
	For the six months ended 30 June		For the six months ended 30 June	
	2017	2016	**2017**	2016
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**2,943,607**	2,461,108	**613,241**	187,200
Northeastern China	**841,608**	634,386	**22,273**	46,042
Total	**3,785,215**	3,095,494	**635,514**	233,242
Unallocated corporate administrative expenses			**(10,898)**	(10,803)
Profit before tax			**624,616**	222,439

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

6. OTHER INCOME

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**145,230**	96,210
Incentive subsidies	**5,273**	7,087
Foreign exchange gain (loss), net	**17,144**	(8,531)
Interest on bank deposits	**12,989**	45,099
Rental income	**900**	900
Release of deferred income	**746**	1,110
Gain on sales of by-product	**34,325**	45,937
Gain on sales of scrap	**4,794**	5,092
Gain on disposal of property, plant and equipment	**204**	803
Reversal of allowance for bad and doubtful debts	**—**	376
Others	**2,279**	1,592
	223,884	195,675

7. FINANCE COSTS

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**146,958**	129,160
Finance leases	**—**	1,537
Bills discounted with recourse	**54,342**	19,684
Short-term debentures	**29,050**	74,017
Mid-term debentures	**118,540**	121,493
Long-term debentures	**103,040**	99,922
	451,930	445,813
Less: amounts capitalized	**(2,675)**	(29,531)
	449,255	416,282

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 5.52% per annum for the period ended 30 June 2017 (2016: 5.74% per annum).

8. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current year	**133,881**	51,030
— under-provision in prior years	**604**	8,535
	134,485	59,565
Deferred tax	**—**	—
	134,485	59,565

No provision for Hong Kong taxation has been made during the current interim period as the Group's income neither arisen in nor is derived from Hong Kong.

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% from 1 January 2008 onwards.

9. PROFIT FOR THE PERIOD

Profit for the period has been arrived at after charging (crediting):

	For the six months ended 30 June	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**349,151**	335,153
Amortization of prepaid lease payments	**7,911**	7,518
Amortization of mining rights, included in cost of sales	**5,159**	5,664
Amortization of other intangible assets	**405**	376
Total depreciation and amortization	**362,626**	348,711
Cost of inventories recognized as an expense	**2,611,238**	2,319,429
Staff costs including retirement benefit	**187,021**	196,235

10. DIVIDENDS

During the current interim period, no dividend has been paid, declared or proposed to be paid. The Directors has decided that no dividend will be paid for the current interim period.

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	
	2017	2016
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(in thousands)*	**489,474**	178,050
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share *(in thousands)*	**2,938,282**	2,400,900

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

12. 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 RMB3,161,000 (for the six months ended 30 June 2016: RMB1,914,000) for cash proceeds of RMB3,365,000 (for the six months ended 30 June 2016: RMB2,717,000), resulting in a gain on disposal of RMB204,000 (for the six months ended 30 June 2016: RMB803,000).

As at 30 June 2017, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB746,923,000 (31 December 2016: RMB782,876,000).

13. DEPOSITS AND ADVANCES

As at 30 June 2017 and 31 December 2016, the amounts represent deposits and advances paid for acquisition of business, and acquisition of property, plant and equipment and land use rights.

14. TRADE AND OTHER RECEIVABLES

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
Trade receivables	**150,719**	188,830
Less: allowance for bad and doubtful debts	**(25,948)**	(25,948)
	124,771	162,882
Bills receivables	**177,464**	684,820
Advances to suppliers	**1,246,385**	1,509,249
Value-added tax refund receivables	**34,513**	29,853
Prepayment for various tax	**158,124**	69,012
Prepaid lease payments	**15,822**	20,873
Other receivables	**181,158**	265,594
	1,938,237	2,742,283

Bills receivables amounted to RMB98,495,000 as at 30 June 2017 (31 December 2016: RMB667,458,000) were discounted to banks to obtain borrowings.

Generally, the Group did not make credit sales to customers, except for sales made to major construction contractors and strategic customers with an average credit period of 180 days.

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

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
Within 90 days	**111,148**	186,942
91–180 days	**91,143**	341,572
181–360 days	**45,534**	245,417
Over 1 year	**54,410**	73,771
Total	**302,235**	847,702

Before accepting any new credit customers, the Group assesses the potential customer's credit quality and determines credit limits for individual customers. The credit limits and credit periods granted to customers are reviewed on a customer-by-customer basis. Over 90% of trade receivables and bills receivables that are neither past due nor impaired are regarded as due from customers with good credit quality under the internal assessment process adopted by the Group.

15. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2017 for (i) securing bank borrowings granted to the Group amounting to RMB722,107,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,880,114,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2016 for (i) securing bank borrowings granted to the Group amounting to RMB571,450,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,535,752,000.

The restricted bank balances carried interest at market rates of 0.35% to 3.25% per annum as at 30 June 2017 (31 December 2016: 0.35% to 3.25% per annum).

16. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2017, bank balances carried interest at market rates of 0.01% and 4.25% per annum (31 December 2016: 0.01% and 4.25% per annum).

17. TRADE AND OTHER PAYABLES

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
Trade payables	**1,355,321**	1,250,175
Bills payables	**600,000**	1,205,000
Construction cost and retention payables	**449,942**	377,073
Advances from customers	**121,584**	184,768
Other tax payables	**24,744**	59,848
Other payables — current	**—**	12,900
Payables for mining rights	**—**	8,300
Accrued interest	**250,630**	252,440
Other payables and accrued expenses	**168,172**	233,775
	2,970,393	3,584,279

The average credit period on purchases of goods is 90 days.

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

	As at 30 June 2017 *RMB'000* **(unaudited)**	As at 31 December 2016 *RMB'000* (audited)
Within 1–90 days	**1,131,909**	1,654,216
91–180 days	**180,543**	358,607
181–365 days	**474,104**	300,174
Over 1 year	**168,765**	142,178
Total	**1,955,321**	2,455,175

18. BORROWINGS

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Bank borrowings		
— fixed-rate	**3,775,109**	4,619,122
— variable-rate	**2,316,974**	1,182,337
	6,092,083	5,801,459
Bank borrowings relating to bills discounted with recourse	**94,974**	648,258
	6,187,057	6,449,717
Secured	**3,296,913**	3,569,127
Unsecured	**2,890,144**	2,880,590
	6,187,057	6,449,717

The borrowings are repayable as follows:

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
On demand or within one year	**5,505,165**	5,921,033
More than one year, but not exceeding two years	**368,479**	460,114
More than two years, but not exceeding five years	**313,413**	68,570
	6,187,057	6,449,717
Less: amount due within one year shown under current liabilities	**(5,052,611)**	(5,921,033)
Amount due after one year	**1,134,446**	528,684

During the current interim period, the Group obtained new bank loans amounting to RMB2,784,000,000 (30 June 2016: RMB3,935,000,000). The loans carried interest at variable market rates of 4.35% to 10.40% (30 June 2016: 4.35% to 10.53%). The Directors consider that the carrying amounts of the borrowings recognized in the condensed consolidated financial statements approximate to their fair values.

19. MID-TERM DEBENTURES

	As at 30 June 2017 RMB'000 (unaudited)	As at 31 December 2016 RMB'000 (audited)
Mid-term debentures	**2,813,029**	2,775,183
Less: due within one year	**(2,813,029)**	(2,275,183)
Due after one year	**—**	500,000

The amounts as at 30 June 2017 represented the mid-term debentures which included: (i) the issuance of the 2015 first tranche of debentures of RMB500,000,000 on 9 January 2015 with maturity of three years, carrying fixed interest rate at 8.5% per annum; (ii) the issuance of the private placement notes of RMB500,000,000 on 27 August 2015 with maturity of two years, carrying fixed interest rate at 7.9% per annum, and the Group has the right not to adjust or adjust the private placement notes' rate for the second year at the end of the first year by giving a notice to the noteholders. The noteholders may accordingly at their option to request the Group to redeem the debentures at a redemption price equal to 100% of the principal plus accrued and unpaid interest up to such redemption date. The remaining private placement notes will be subject to the interest rate offered by the Group at the end of the first year until the maturity date. As of 31 June 2017, the notes amounting to RMB400,000,000 were redeemed and the remaining notes amounting to RMB100,000,000 will be matured on 27 August 2017;(iii) the issuance of 2015 first tranche of enterprise private debentures of RMB550,000,000 on 14 September 2015 and the privately issued corporate bonds of RMB450,000,000 on 23 October 2015 with maturity of two years, both carrying fixed interest rate at 8.0% per annum, and the Group has the right not to adjust or adjust the rates for the second year of private placement notes at the end of the first year by giving a notice to the noteholders. The noteholders may accordingly at their option to request the Group to redeem the notes at a redemption price equal to 100% of the principal plus accrued and unpaid interest up to such redemption date. The remaining private placement notes will be subject to the interest rate offered by the Group at the end of the first year until the maturity date. As of 30 June 2017, the notes amounting to RMB550,000,000 and RMB230,000,000 were redeemed and the remaining notes amounting to RMB220,000,000 will be matured on 22 October 2017; (iv) the issuance of the 2015 first tranche of debentures of RMB500,000,000 on 9 January 2015 with maturity of three years, carrying fixed interest rate at 8.5% per annum; (v) the issuance of the privately issued corporate bonds of RMB500,000,000, RMB900,000,000 and RMB600,000,000 on 25 August 2016, 20 September 2016 and 21 October 2016 respectively with maturity of two years, all carrying fixed interest rate of 7.00 per annum.

The Directors consider that the carrying amounts of the mid-term debentures recognized in the condensed consolidated financial statements approximate to their fair values.

20. LONG-TERM CORPORATE BONDS

	As at 30 June 2017	As at 31 December 2016
	RMB'000	*RMB'000*
	(unaudited)	(audited)
Long-term corporate bonds	**3,061,892**	3,075,350

The amounts as at 30 June 2017 represent: (i) the issuance of long-term corporate bonds in an aggregate principal amount of RMB2,000,000,000 on 6 February 2013, with a term of five years and a rate of 7.21% per annum, with an option to further extend for three years subject to the approval of the bondholders. These long-term corporate bonds were issued through the lead underwriter, HUAXI Securities Co., Ltd (華西證券有限責任公司), to non-specific buyers. These long-term corporate bonds are guaranteed by two subsidiaries of Tianrui Group Company Limited (天瑞集團股份有限公司) ("Tianrui Group"), namely Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司) ("Tianrui Foundry") and Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司) ("Tianrui Travel"). The guarantees have been provided at no cost to the Group, (ii) the issuance of long-term corporate bonds in an aggregate principal amount RMB1,000,000,000 on 29 September 2015 through the lead underwriter, Ping An Securities Company Limited (平安證券有限責任公司), with a term of five years and a rate of 5.95 % per annum, with an option to further extend for two years subject to the approval of the bondholders and negotiation of terms and conditions between the Group and the bondholders and (iii) the issuance of long-term corporate bonds in an aggregate principal amount HK$86,500,000, amounting to RMB75,075,080 which including the issuance of first tranche corporate bonds of HK$45,540,000 on 2 December 2014, second tranche corporate bonds of HK$33,460,000 on 15 July 2015 and the third tranche corporate bonds of HK$7,500,000 on 9 January 2016, with a term of eight years and a rate of 6.5% per annum. This long-term corporate 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.

The Directors consider that the carrying amounts of the long-term debentures recognized in the condensed consolidated financial statements approximate to their fair values.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2017, the overall performance of the cement industry in China showed a trend of stable volume with prices on a rise. China's cement production volume was fundamentally stable, meanwhile, the cement prices demonstrated a continuously upward trend. Due to the alternative production arrangements in the industry, despite the slight decrease in the production volume and sales volume of the Group, the sales price increased significantly and the gross profit margin was also raised at the same time. A significant increase was recorded in the profits of the core business of the Group.

According to the statistics of National Bureau of Statistics, in the first half of 2017, China's cement production volume was 1.11 billion tons, representing a year-on-year increase of 0.4%, among which:

— The cement production volume in the mid-southern region was 320 million tons, representing a year-on-year increase of approximately 0.73%; among which the Group's cement production volume in Henan province was 78.55 million tons, representing a year-on-year decrease of approximately 2.46%. In comparison, in the first half of 2017, the Group sold approximately 11.05 million tons of cement in the Henan region, representing a decrease of approximately 10.97% compared to the same period in 2016.

— The cement production volume in the northeastern region was 0.3814 million tons, representing a year-on-year decrease of approximately 4.79%; among which the cement production volume in Liaoning province was 14.48 million tons, representing a year-on-year decrease of approximately 5.74%. In comparison, in the first half of 2017, the Group sold approximately 2.91 million tons of cement in the Liaoning region, representing a decrease of approximately 4.23% compared to the same period in 2016.

In the first half of 2017, we sold approximately 0.8 million tons of clinker externally, an increase of 0.1 million tons compared with 0.7 million tons in the same period of 2016. In the meantime, the clinker we produced was mainly used to meet the internal needs of cement production.

In the first half of 2017, we recorded a revenue of RMB3,785.2 million, an increase of RMB689.7 million or 22.3% compared to the same period in 2016. We sold the cement products at an average price of RMB262.2 per ton, an increase of RMB67 per ton compared to the same period last year. We increased the gross profit margin from 25.1% of the same period in 2016 to 29.4% of the same period in 2017.

In the first half of 2017, the situations regarding our completed mergers and acquisitions as well as the newly-added investment were as follows,

— On 7 June 2017, pursuant to the Acquisition Agreement, the Company officially allotted and issued 537,381,647 shares of Consideration Shares at the Issue Price of HKD1.92 per share to Yu Kuo Company Limited for the acquisition of equity interests 100% and 55% of Henan Yongan Cement Company Limited ("Yongan Cement") and Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement") respectively. Yongan Cement became an indirect wholly-owned subsidiary of the Company, whereas Xindeng Cement had become a non-wholly-owned subsidiary of the Company. Pursuant to the terms and conditions of the Acquisition Agreement, the Acquisitions had been completed, the financial data of the two companies had been consolidated into the Company.

— On 27 June 2017, the registered capital of the joint venture of the Company, Tianrui Group Finance Company Limited, increased from RMB300 million to RMB1 billion, pursuant to which the partner of the joint venture and Tianrui Cement funded the joint-venture finance company with RMB550 million and RMB150 million respectively.

Business Environment

In the first half of 2017, China's fixed assets investment (excluding farmers) continued to grow at a slower pace. According to the data of National Bureau of Statistics, in the first half of the year, China's fixed assets investment increased by 8.6% year on year, yet with a decrease by 1% compared to the same period last year. Growth in both investments in real estate and infrastructure slowed down, yet such growth for both was at faster pace on a year-on-year basis compared to the level of the same period last year. Investment in infrastructure still remained its growth at a high level, becoming an important support in pulling the demand for cement. The control policies of the real estate market in several regions were tightened and the investment in real estate could hardly pull the demand for cement; the demand for cement in the first half of the year maintained a steady trend. According to the market monitoring data of Digital Cement, in June the low season for cement, prices receded in several regions; yet, due to the extension of the trend with steady improvements in the cement prices in the preceding 5 months, China's cement prices will still maintain at the relatively high levels.

In the "Thirteenth Five-Year Plan for the Cement Industry" published by Digital Cement in June 2017, it was proposed to address overcapacity and achieve the reduction and elimination of production capacity of clinker of 400 million tons. Meanwhile, the upgrading and the changing of cement products would be accelerated, composite cement 32.5 would be eliminated, cement 42.5 and above as well as pure silicate cement would be encouraged in production and use. Besides, technical equipment of cement industry would be pushed forward comprehensively to innovations and upgrading. In 2020, 60% of the cement production lines will reach the world's leading standards. It was also proposed in the Plan to focus in fostering mergers, restructuring and reduction in the number of enterprises and pushing forward the formation of a batch of large-scale group enterprises.

Meanwhile, the Chinese government will also continue to enhance the monitoring of the environmental protection aspects. This year, departments such as National Development and Reform Commission, the Ministry of Industry and Information Technology, the Ministry of Environmental Protection, the State General Administration of Quality Supervision, Inspection and Quarantine, the State Administration of Work Safety, etc. carried out dedicated inspection in the cement and glass industries, clearance and consolidation of backward production capacity and clarification of the withdrawal of the backward production capacity from the industry, as well as the situation of the implementation of the environmental policy standards, and relevant rectification opinions will be proposed.

In 2017, cement industry has shown certain improving trends. Yet, we are still facing various challenges in economics, environmental protection, reduction of overcapacity, government monitoring, etc. As a large-scale group in the cement industry, the Group on one hand will strengthen its edges in operations, and on the other hand proactively coordinate with the government policies and the calls in the industry. This will consolidate the Group's leading position in the industry.

Cement Industry

In the first half of 2017, the overall performance of the cement industry in China showed a trend of stable volume with prices on a rise. After March, China's cement prices showed a continuous rise in its performance and achieved a significant increase on either the year-on-year or quarter-on-quarter basis. Benefitted from this, the standards of the industrial efficiency still maintained its good trend. According to the data of the National Bureau of Statistics, under the circumstances of the same overall demand in the industry, the industrial efficiency achieved stable and repaid growth. In the first half of the year, the profit of the industry reached $33.4 billion, representing a year-on-year increase by 248% and exceeding the profit of the whole year of 2015. The profit margin of the cement industry reached 7.26%, which was already higher than the average profit margin standards of the industry.

According to the reports by Digital Cement, it is expected that the demand for cement of the whole year of 2017 will be fundamentally the same as last year and maintain the total scale at 2.4 billion tons. It is expected that the further rebound of the prices will drive the industrial efficiency to grow continuously, and the profit of the cement industry of the whole could achieve RMB80 billion.

In the first half of the year, the majority of the provinces within China launched various measures in limiting production including "alternative production arrangements" and "environmental protection monitoring". With the background of steady consumption demand in the industry, the supply-demand relationships in the market showed significant improvements; the inventory standards were sharply lower than last year; and the prices and profits quickly rebounded. Meanwhile, some production lines with weak cost controls commenced to slow down their production. These led to the improvements in the supply-demand relationships once again.

According to the monitoring of Digital Cement, the prices of China had shown continuous growth since March and reached the peak in May at $354/tons (P.O42.5 tax-inclusive price in place). China's cement prices achieved a significant increase on either a year-on-year or quarter-on-quarter basis, an increase by $82/tons in June compared to the same period of last year, as well as an increase by $16/tons compared to January. The rise in the prices of the cement production was mainly due to: through self-disciplinary acts, the cement industry reduced the vicious price competition; through measures "alternative production arrangements", "environmental protection monitoring", etc. to objectively reduce the production and supply of cement, the supply-demand relationships were improved; the rapid raise of the upstream coal prices drove the costs to increase; in the structural adjustment, some production lines with weak cost controls slowed down their production and the supply-demand relationships were improved.

Notwithstanding that the cement supply is restricted and the prices rise, we are also aware that the aspect of the demand for cement has not fundamentally changed; investment in the facility construction will grow and maintain in its high levels; whereas in general, it is expected that investment in real estate will grow in a slower yet a steady pace in the second half of the year. Therefore, we expect that the demand for cement of the whole year will maintain the same as last year or be subject to a slight decrease.

FINANCIAL REVIEW

Revenue

For the first half of 2017, our total revenue was approximately RMB3,785.2 million, representing a year-on-year increase of RMB689.7 million or 22.3% over the same period of 2016. The cement segment recorded revenue of approximately RMB3,598.9 million in the Reporting Period, representing a year-on-year increase of RMB613.3 million or 20.5% over the same period of 2016. Sales revenue of our clinker products amounted to RMB186.3 million, representing a year-on-year increase of RMB76.4 million or 69.5% over the same period of 2016. In other words, 95.1% of our total revenue was generated from the sales of cement and 4.9% was from the sales of clinker. In the first half of 2016, the corresponding figures were 96.5% and 3.5%.

In the first half of 2017, we sold 14.0 million tonnes of cement, representing a decrease of 1.3 million tonnes of cement sales over the same period of 2016 or an 8.5% increase year-on-year. The average selling price of cement increased by RMB67.0 per tonne from the same period of 2016. Furthermore, we sold 0.8 million tonnes of clinker in the first half of 2017, representing a sales increase of 0.1 million tonnes over the same period of 2016 or a 14.3% increase year-on-year. The decrease in sales volume of cement products was primarily due to the production limitation for environmental protection in Henan and Northeastern China where the Group operates and decrease in infrastructure and property investment.

In Henan and Anhui, we sold 11.0 million tonnes of cement, decreasing by 10.6% year-on-year. In Liaoning and Tianjin, we sold 3.0 million tonnes of cement, which was almost the same as last year.

Cost of Sales

In the first half of 2017, we continued our efforts in reducing the impact of increasing 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 RMB2,611.2 million, a year-on-year increase of RMB291.8 million or 12.6% over the first half of 2016, mainly due to the significant increase in procurement price of rough coal.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2017, our costs of raw materials, coal and electricity as a percentage of cost of sales were 34.5% (2016: 39.1%), 35.8% (2016: 23.5%) and 16.3% (2016: 21.4%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity for the production of cement per tonne were RMB61.1 (2016: RMB56.8), RMB63.5 (2016: RMB34.1) and RMB28.9 (2016: RMB31.0) respectively, representing increases of RMB4.4 and RMB29.4 and a decrease of RMB2.2 respectively over the same period of 2016.

Gross Profit and Gross Profit Margin

Our gross profit was approximately RMB1,174.0 million in the half year ended 30 June 2017, representing an increase of RMB397.8 million or 51.3% from approximately RMB776.1 million in the same period of last year. Our gross profit margin increased to approximately 31.0% in the first half of 2017 from 25.1% in the same period of 2016. The increase in gross profit margin was primarily due to the significant increase in the price of cement for the year.

Other Income and Other Gains and Losses

Other income was approximately RMB223.9 million in the first half of 2017, representing an increase of RMB28.2 million or 14.4% from approximately RMB195.7 million in the same period of 2016. The increase was primarily due to the setting-off of the increases in value-added tax refund income and incentive subsidies and the decreases in interest income from bank deposits.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB161.2 million in the first half of 2017, representing an increase of RMB19.4 million or 13.7% from approximately RMB141.8 million in the first half of 2016. The increase was primarily due to the growth in sales income and increases in logistics costs.

Administrative Expenses

Administrative expenses were approximately RMB150.3 million in the half year ended 30 June 2017, representing a decrease of RMB20.9 million or 12.2% from approximately RMB171.2 million in the half year ended 30 June 2016. The decrease in administrative expenses were mainly due to the decrease in the administrative expenses by the measures such as strengthening of budget control and more centralized expenses control of the Company in the first half of this year.

Finance Costs

Finance costs were approximately RMB449.3 million in the first half of 2017, representing an increase of RMB33.0 million or 7.9% from RMB416.3 million in the first half of 2016. The increase was primarily attributable to the growth in interest rate for borrowings and debentures and the decrease in capitalized interest for the period.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB624.6 million in the first half of 2017, representing an increase of approximately RMB402.2 million or approximately 180.8% from approximately RMB222.4 million in the first half of 2016.

Income Tax Expenses

Our income tax expenses were approximately RMB134.5 million in the first half of 2017, representing an increase of RMB74.9 million or 125.8% from approximately RMB59.6 million in the first half of 2016, which was mainly due to the increase 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 2017 was approximately RMB489.5 million, representing an increase of RMB311.4 million or 174.9% from approximately RMB178.1 million in the first six months of 2016. Net profit margin was 12.9% in the first six months of 2017, representing an increase of 7.7% from the same period of 2016.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB2,742.3 million as at 31 December 2016 to RMB1,938.2 million as at 30 June 2017, mainly due to the decreases in bills receivables and advance to suppliers.

Inventories

Inventories increased from RMB750.7 million as at 31 December 2016 to RMB837.4 million as at 30 June 2017, primarily due to the increase in inventory procurement cost in the first six months of 2016.

Cash and Cash Equivalents

Cash and bank balance increased from RMB726.2 million as at 31 December 2016 to RMB1,148.0 million as at 30 June 2017, primarily due to the increase in cash inflows from operations during the Reporting Period.

Trade and other payables

Trade and other payables decreased from RMB3,584.3 million as at 31 December 2016 to RMB2,970.4 million as at 30 June 2017, mainly due to the shortening of payment settling cycles of some of our major suppliers by the Group to obtain lower purchase prices in the first half of 2016.

Borrowings

Total borrowings and bonds (including corporate bonds) of the Group was approximately RMB12,062.0 million as at 30 June 2017, a decrease of approximately RMB238.2 million from RMB12,300.2 million as at 31 December 2016. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) decreased from RMB8,196.2 million as at 31 December 2016 to RMB7,865.7 million as at 30 June 2017. Borrowings due after one year (including mid-term, long-term bonds and corporate bonds) increased from RMB4,104.0 million as at 31 December 2016 to RMB4,196.3 million as at 30 June 2017. Approximately RMB3,775.1 million was debts at fixed rate due within one year.

The Group has been repaying the debts in accordance with the terms of the loan agreement. As at 30 June 2017, we had unutilized banking facilities of approximately RMB2,542.9 million.

Principal Sources of Liquidity

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

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

As at 30 June 2017, our gearing ratio was 62.7%, representing a decrease of 5.6% from 68.3% as at 31 December 2016. As at 30 June 2017, our current ratio was 0.7, largely the same level of 0.6 as at 31 December 2016; our quick ratio was 0.6, largely the same level of 0.57 as at 31 December 2016; our debt equity ratio was 1.68, representing a decrease of 0.48 from 2.16 as at 31 December 2016.

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 2017, our net gearing ratio was 81.0%, representing a decrease of 28.1% from 109.1% as at 31 December 2016. 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 2017 was approximately RMB54.1 million (for the first half of 2016: approximately RMB91.8 million) and capital commitment as at 30 June 2017 was approximately RMB99.4 million (as at 31 December 2016: approximately RMB426.3 million). Both capital expenditure and capital commitment were mainly related to the acquisition of business, the construction of production facilities and the acquisition of buildings, plant and machinery, motor vehicles, office equipment, 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 2017, the carrying amount of assets of the Group pledged to secure bank borrowings amounted to approximately RMB1,569.0 million (as at 31 December 2016: approximately RMB2,632.7 million).

CONTINGENT LIABILITIES

As at 30 June 2017, other than the contingent liabilities arising from the provision of guarantee to third parties and connected parties amounting to approximately RMB1,542.0 million (31 December 2016: RMB1,522.0 million), we did not have other contingent liabilities. The guarantees provided to the connected party have been provided pursuant to Tianrui Cement Guarantees, the details of which are set out in the section headed "Continuing connected transactions and connected transactions — (b) Mutual Guarantees" herein. Capitalised terms used in this paragraph shall have the same meanings as those defined in the circular of the Company dated 30 October 2015.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

— On 7 June 2017, pursuant to the Acquisition Agreement, the Company acquired 100% equity interest of Henan Yongan Cement Company Limited ("Yongan Cement") and 55% equity interest of Tianrui Xindeng Zhengzhou Cement Company Limited ("Xindeng Cement"), at the consideration of 537,381,647 Consideration Shares, to be formally allotted and issued to Yu Kuo Company Limited at Issue Price of HK$1.92 per Share. Following the completion, Yongan Cement became an indirect wholly owned subsidiary of the Company and Xindeng Cement became an indirect non-wholly owned subsidiary of the Company. Pursuant to the terms and conditions of the Acquisition Agreement, the Acquisition was completed and the financial data of the two target companies was consolidated to the accounts of the Company.

— On 27 June 2017, the registered capital of Tianrui Group Finance Company Limited (天瑞集團財務有限公司) ("JV Finance Company"), the joint venture of the Company, increased from RMB300 million to RMB1 billion. Pursuant to which, the partner of the joint venture and Tianrui Cement contributed RMB550 million and RMB150 million to the joint venture respectively ("Capital Increase"). Upon the completion of the Capital Increase, the equity interest owned by the partner of the joint venture and Tianrui Cement in JV Finance Company amounted to 74.5% and 25.5% respectively.

MATERIAL LITIGATION

During the six-month period ended 30 June 2017, the Group was not involved in any material litigation or arbitration. To the best of the Directors' knowledge and belief, there is no outstanding or pending litigation or claim of material importance against the Group.

MARKET RISKS

Exchange Rate Risk

For the six-month period ended 30 June 2017 and the foreseeable subsequent period, the Group believes that the impact of exchange rate risk on the Group was and will be minimal, mainly because substantially all of our businesses are in mainland China, save for minimum foreign exchange risk in payment of external intermediary costs.

Interest Rate Risk

We are exposed to interest rate risk resulting from our long-term and short-term borrowings. We review our borrowings regularly to monitor our interest rate risk exposure, and will consider hedging significant interest rate exposure when necessary. As our exposure to interest rate risk relates primarily to our interest-bearing bank loans, our policy is to keep our borrowings at variable rates so as 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

We have 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 adequate by our management to finance 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 2017, the Group had 8,047 employees (as at 31 December 2016: 8,066). As at 30 June 2017, staff costs (including remuneration) was approximately RMB187.0 million (for the same period of 2016: approximately RMB196.2 million). The remuneration policies, bonus and training programs for employees of the Group were implemented on an ongoing basis according to the policies disclosed in the 2016 Annual Report of the Company and no change has been made during the six-month period ended 30 June 2017.

PROSPECTS

In 2017, under the prevailing enormous external pressure and several internal structural problems in the Chinese economy, the Government proposed that the GDP was to increase by 6.5%, the energy consumption per unit of GDP was to decline by more than 3.4%, and the main pollutant emissions was to continue to decline, etc. Meanwhile, it had also put forward the target to adhere to the reform of the supply-side, to promote the upgrading of consumption and effective investment phase, regional urban and rural development coordination, to enhance the lasting pulling functions of domestic demands for economic growth, to deepen the cooperation between the government and social capital.

Through the efforts in the first half of 2017, the Chinese economy operated in its reasonable range with a significant tendency towards stable improvements, presenting a moderate growth, improving employment, stable prices, rise in income, good settings of the structure optimization, increase in stability, coordination and sustainability. According to the data of the National Bureau of Statistics, in the first half of 2017, the GDP increased by 6.9%, China's fixed assets investment amounted to $28,060.5 billion, representing a year-on-year increase by 8.6%; initial results were seen in the reform of the supply-side, whereas in the first half of the year, the utilization rate of the industrial production capacity in China was 76.4%, an increase of 3.4% compared to the same period last year.

The external environment which the cement industry was facing was also improved. In the first half of 2017, China's investment in infrastructure amounted to $5,942.2 billion with an increase of 21.1%, China's investment in real estate development amounted to $5,061 billion with a year-on-year increase by 8.5%. In the end of June 2017, the commercial housing areas for sale decreased by 9.6% year on year. Under the general environment of the Government's implementation of the supply-side reform and the strengthened environment protection, the cement industry will face the trends of prohibiting new capacity, eliminating backward production capacity, promoting joint restructuring, implementing alternative production arrangements, upgrading cement products, developing new materials and strengthening the greening and environmental-protection, etc.

We expect that the production capacity of the cement industry throughout the year of 2017 will remain fundamentally unchanged. Measures of production limitation such as "alternative production arrangements", "environmental protection monitoring", etc. will sustain onwards, especially in the second half of the year, we are still facing factors of heating during winter, worsening air pollution, etc. in the main markets in Henan and Liaoning. Cement production will be subject to limitation; market prices are expected to maintain above the current standards; overall the operations of the Group will be benefitted while the good trend of the first half of the year is expected to maintain throughout the year. As the leading enterprise in the regional market, the Group will respond to the calls by the Government and the industry association by striving to perform collaboration, the alternative production arrangements and the strict compliance with the environmental obligations properly.

In the face of the external policy and environment of the cement industry, grasping opportunities to the fullest, we will continue to work on the integration and coordination of regional markets through internal structure adjustment and enhance our leading market positions in Henan and Liaoning by virtue of our own and policy advantages. In addition, we will further expand the scope of the unified purchase of materials, strengthen management, and improve the production efficiency, so that we can further reduce the unit production costs and then maintain our leading positions in other markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors.

CORPORATE GOVERNANCE AND OTHER IMPORTANT INFORMATION

Corporate Governance Practices

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

For the period of six months ended 30 June 2017, the Company had been adopting 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 of Hong Kong Limited (the "Listing Rules") as its own code on corporate governance practice. Other than those stated in the following of this section, the Company had been in compliance with all code provisions set out in the Corporate Governance Code throughout the six months ended 30 June 2017.

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, which was composed of 3 executive Directors and 2 top management members of the subsidiary of the Company. 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 a 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 throughout the six months ended 30 June 2017.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

Except for the official allotment and issue of the Consideration Shares of 537,381,647 shares by the Company at the Issue Price HKD1.92 per share to the Company's controlling shareholder, Yu Kuo Company Limited, for the acquisition of the equity interests 100% and 55% of Henan Yongan Cement Company Limited and Tianrui Xindeng Zhengzhou Cement Company Limited respectively on 7 June 2017 (for specific details, please refer to the announcement dated on 25 November 2016, the circular dated on 30 December 2016, the announcements dated on 19 January 2017 and 8 June 2017 of the Company), during the six months ended 30 June 2017, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

During the six months ended 30 June 2017 and as at the date of this announcement, we entered into the following connected transactions or continuing connected transactions (as defined under the Listing Rules).

(a) Purchase of Clinker and Sale of Limestone

Reference is made to our announcement dated 30 December 2016 which contains details of the transactions disclosed herein. Unless stated otherwise, capitalized terms used in this paragraph (a) shall have the same meanings as those used in the circular referred to above.

On 30 December 2016, Tianrui Group Cement Company Limited ("Tianrui Cement"), a wholly owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong"), a company in which Mr. Li Liufa ("Chairman Li") controls more than 30% of the voting power at its general meetings' entered into the Clinker Supply Framework Agreement. The transactions under the Clinker Supply Framework Agreement constitute continuing connected transactions under the Listing Rules.

Pursuant to the Clinker Supply Framework Agreement, the aggregate annual caps of the transactions under the agreement are RMB200,000,000, RMB200,000,000 and RMB200,000,000 for each of the three years ending on 31 December 2017, 2018 and 2019 respectively.

For the six months ended 30 June 2017, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of approximately RMB185.4 million.

(b) Mutual Guarantees

Reference is made to our announcement dated 11 May 2017 which contains details of the transactions disclosed herein. Unless stated otherwise, capitalized terms used in this paragraph (b) shall have the same meanings as those used in the circular referred to above.

On 11 May 2017, the Company, Tianrui Cement and Tianrui Group Company Limited ("Tianrui Group"), a company controlled by Chairman Li, entered into a framework agreement in relation to the provision of mutual guarantees (the "Framework Agreement"). The transactions under the Framework Agreement constitute continuing connected transactions under the Listing Rules.

During the period from 11 May 2017 to 31 December 2017 and for the year ended 31 December 2018 and 2019, the maximum daily balance of the Tianrui Group Guarantee (i.e the guarantees provided by Tianrui Group to Tianrui Cement) are RMB7,000 million. During the period from 11 May 2017 to 31 December 2017 and for the year ended 31 December 2018 and 2019, the maximum daily balance of the Company Guarantee (i.e the guarantees provided by Company to Tianrui Group) are RMB3,000 million.

As of 30 June 2017, according to the Framework Agreement and as approved by a special committee, the Company (including its subsidiaries) had currently accumulated guarantees of approximately RMB1,542 million as undertaken to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had currently accumulated guarantees of approximately RMB4,536 million as undertaken to Tianrui Cement.

INTERIM DIVIDEND

The Directors did not recommend the declaration of any interim dividend for the six months ended 30 June 2017 (30 June 2016: 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 2017. 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.

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

Hong Kong, 28 August 2017

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

Chairman and Non-executive Director
Mr. Li Liufa

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

Non-executive Directors
Mr. Li Heping and Mr. Yang Yongzheng

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