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 2019

GROUP FINANCIAL HIGHLIGHTS

	For the six months ended 30 June		
	2019	2018	Percentage of Change
	RMB'000	*RMB'000*	
Revenue	**5,494,670**	4,306,626	27.6%
Gross profit	**1,833,188**	1,373,219	33.5%
Profit	**926,303**	565,286	63.9%
Of which: Profit attributable to owners of the Company	**887,005**	550,816	61.0%
Basic earnings per share *(RMB)*	**0.30**	0.19	61.0%

	As at 30 June 2019	As at 31 December 2018	Percentage of Change
	RMB'000	*RMB'000*	
Total assets	**28,333,952**	28,553,706	−0.8%
Of which: Current assets	**12,095,831**	12,300,677	−1.7%
Total liabilities	**16,368,529**	17,474,586	−4.8%
Of which: Current liabilities	**11,227,742**	12,571,661	−10.7%
Total equity	**11,965,423**	11,079,120	8.0%
Of which: Equity attributable to owners of the Company	**11,904,679**	11,017,674	8.1%

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 2019 ("**Reporting Period**"), together with the comparative figures for the six-month period ended 30 June 2018, as follows:

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

		For the six months ended 30 June	
		2019	2018
	Notes	***RMB'000***	*RMB'000*
		(unaudited)	(unaudited)
Revenue	4, 5	**5,494,670**	4,306,626
Cost of sales		**(3,661,482)**	(2,933,407)
Gross profit		**1,833,188**	1,373,219
Other income	6	**305,660**	281,097
Other gains and losses	7	**14,092**	(23,570)
Share of profit of an associate		**4,228**	2,997
Selling and distribution expenses		**(155,032)**	(139,965)
Administrative expenses		**(172,382)**	(165,070)
Other expenses		**(22,637)**	(7,728)
Finance costs	8	**(563,174)**	(571,667)
Profit before tax		**1,243,943**	749,313
Income tax expense	9	**(317,640)**	(184,027)
Profit and total comprehensive income for the period	10	**926,303**	565,286
Profit and total comprehensive income for the period attributable to:			
Owners of the Company		**887,005**	550,816
Non-controlling interests		**39,298**	14,470
		926,303	565,286
Earnings per share			
Basic *(RMB)*	11	**0.30**	0.19

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	**As at 30 June 2019** *RMB'000* **(unaudited)**	As at 31 December 2018 *RMB'000* (audited)
NON-CURRENT ASSETS			
Property, plant and equipment		**11,262,514**	11,295,763
Deposits and prepayments		**2,121,262**	2,410,281
Prepaid lease payments		**—**	849,343
Right-of-use assets		**912,802**	—
Mining rights		**581,055**	590,251
Goodwill		**307,642**	307,642
Other intangible assets		**3,774**	4,179
Interests in associates		**272,271**	268,043
Derivative financial instruments		**7,588**	7,588
Deferred tax assets		**180,525**	171,090
Pledged bank balances		**87,147**	87,147
Amounts due from an associate		**501,541**	261,702
		16,238,121	16,253,029
CURRENT ASSETS			
Inventories		**1,309,794**	874,873
Trade and other receivables	13	**4,400,020**	4,423,920
Amounts due from associates		**1,408,570**	944,911
Financial assets at far value through profit or loss		**43,702**	43,702
Restricted bank balances		**707,818**	2,000,000
Pledged bank balances		**3,408,813**	3,301,474
Cash and bank balances		**817,114**	711,797
		12,095,831	12,300,677
CURRENT LIABILITIES			
Trade and other payables	14	**3,847,457**	3,684,388
Contract liabilities		**249,090**	462,096
Other financial liability		**2,000,000**	2,000,000
Loan from an associate — due within one year		**900,000**	900,000
Long-term corporate bonds — due within one year		**109,199**	106,056
Borrowings — due within one year		**3,845,124**	4,847,606
Lease liabilities — due within one year		**16,886**	—
Current tax liabilities		**243,207**	552,872
Financial guarantee contracts		**16,779**	18,643
		11,227,742	12,571,661
NET CURRENT ASSETS/(LIABILITIES)		**868,089**	(270,984)
TOTAL ASSETS LESS CURRENT LIABILITIES		**17,106,210**	15,982,045

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**11,880,496**	10,993,491
Equity attributable to owners of the Company		**11,904,679**	11,017,674
Non-controlling interests		**60,744**	61,446
TOTAL EQUITY		**11,965,423**	11,079,120
NON-CURRENT LIABILITIES			
Loan from an associate — due after one year		—	100,000
Borrowings — due after one year		**2,587,032**	2,318,866
Long-term corporate bonds		**2,181,600**	2,121,943
Lease liabilities — due after one year		**33,052**	—
Deferred tax liabilities		**177,212**	183,256
Deferred income		**140,203**	157,548
Provision for environmental restoration		**21,688**	21,312
		5,140,787	4,902,925
		17,106,210	15,982,045

NOTES TO 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 the Company and its subsidiaries are manufacture and sale of cement, clinker and limestone aggregate. Its immediate holding company is Yu Kuo Company Limited and its ultimate parent as at 30 June 2019 is Tianrui Group Company Limited ("Tianrui Group"), which is controlled by Mr. Li Liufa and Ms. Li Fengluan, a non-executive director and an executive director of the Company, respectively.

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

The condensed consolidated financial statements for the six months ended 30 June 2019 have been prepared in accordance with International Accounting Standard ("IAS") 34 "Interim Financial Reporting" issued by the International Accounting Standards Board ("IASB") as well as with the applicable disclosure requirements of Appendix 16 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited ("HKEX")."

2. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The condensed consolidated financial statements have been prepared in accordance with International Financial Reporting Standards issued by the International Accounting Standards Board.

These condensed consolidated financial statements have been prepared on a going concern basis as at 30 June 2019.

In view of these circumstances, the Directors of the Company have given consideration to the future liquidity and performance of the Group and its available sources of finance in assessing whether the Group will have sufficient financial resources to continue as a going concern. Meanwhile, the Group recorded net operating cash inflows for the year ended 31 December 2018 and 2017.

The Directors of the Company have reviewed the working capital forecast of the Group covering a period of not less than 12 months from 30 June 2019. Based on the forecast, the sufficiency of the Group's working capital for the next 12 months depends on the Group's ability to obtain the anticipated cash flows from the Group's operating activities, and assuming the Group's current borrowings could be renewed at a rate of 70% based on the Group's historical average loans renewal rate of 80% in the past three years. The Directors of the Company, after taking into account the reasonably possible changes in the operational performance, the availability of borrowings and the expected renewal of the short-term borrowings, are of the opinion that, the Group will have sufficient working capital to meet its financial obligations as and when they fall due. Accordingly, the Directors of the Company consider that the preparation of these consolidated financial statements on a going concern basis is appropriate.

3. PRINCIPAL ACCOUNTING POLICIES

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

Other than changes in accounting policies resulting from the application of new and amendments to International Financial Reporting Standards ("IFRSs"), the accounting policies and methods of computation used in the condensed consolidated financial statements for the six months ended 30 June 2019 are the same as those followed in the preparation of the Group's financial statements for the year ended 31 December 2018.

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the International Accounting Standards Board ("IASB") which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's consolidated financial statements:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

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

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

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

On transition, the Group has made the following adjustments upon application of IFRS 16:

The Group recognised lease liabilities of RMB44,014,000 and right-of-use assets of RMB916,332,000 at 1 January 2019.

When recognising the lease liabilities for leases previously classified as operating leases, the Group has applied incremental borrowing rates of the relevant group entities at the date of initial application. The weighted average lessee's incremental borrowing rate applied is 7.01%.

As a lessee

	At 1 January 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	54,928
Lease liability discounted at relevant increment borrowing rates	47,689
Less: Recognition exemption — short-term leases	3,675
Lease liabilities relating to operating leases recognised upon application of IFRS 16 as at 1 January 2019	44,014
Analysed as	
Current	11,975
Non-current	32,039
	44,014

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

	Right-of-use assets RMB'000
Right-of-use assets relating to operating leases — upon application of IFRS 16	44,014
Reclassified from land lease prepayments	849,343
Reclassified from other receivables and prepayments	22,975
	916,332

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

	Carrying amounts previously reported at 31 December 2018	Reclassifications	**Carrying amounts under IFRS 16 at 1 January 2019**
	RMB'000	*RMB'000*	***RMB'000***
Non-current assets			
Prepaid lease prepayment *(note)*	849,343	(849,343)	**—**
Right-of-use assets	—	916,332	**916,332**
Current assets			
Trade and other receivables	4,423,920	(22,975)	**4,400,945**
Current liabilities			
Lease liabilities	—	(11,975)	**(11,975)**
Non-current liabilities			
Lease liabilities	—	(32,039)	**(32,039)**

Note:

Upfront payments for leasehold lands in the PRC were classified as prepaid lease prepayment as at 31 December 2018. Upon application of IFRS 16, the non-current portion of prepaid lease payments amounting to RMB849,343,000 was reclassified to right-of-use assets.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2019	For the six months ended 30 June 2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Sales of cement	**5,138,827**	4,177,648
Sales of clinker	**261,688**	128,978
Sales of limestone aggregate	**94,155**	—
	5,494,670	4,306,626
Revenue recognition at a point in time	**5,494,670**	4,306,626

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.

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

	Segment revenue For the six months ended 30 June		**Segment profit For the six months ended 30 June**	
	2019	2018	**2019**	2018
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
	(unaudited)	(unaudited)	**(unaudited)**	(unaudited)
Central China	**4,407,835**	3,297,751	**1,159,288**	684,652
Northeastern China	**1,086,835**	1,008,875	**93,215**	72,086
Total	**5,494,670**	4,306,626	**1,252,503**	756,738
Unallocated corporate administrative expenses			**(8,560)**	(7,425)
Profit before tax			**1,243,943**	749,313

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).

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

6. OTHER INCOME

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Value-added tax refund	**196,493**	156,163
Incentive subsidies	**8,755**	6,230
Interest on bank deposits	**30,369**	33,838
Rental income	**900**	900
Reversal of deferred income	**746**	746
Other profit, net	**63,274**	59,014
Software service income	**3,641**	16,860
Others	**1,482**	7,346
	305,660	281,097

7. OTHER GAINS AND LOSSES

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Foreign exchange gain/(loss), net	**4,633**	(28,662)
Gain on disposal of property, plant and equipment, net	**9,459**	5,092
	14,092	(23,570)

8. FINANCE COSTS

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Interest on:		
Bank borrowings	**372,033**	254,175
Bills discounted with recourse	**91,821**	95,312
Mid-term debentures	**—**	102,919
Long-term corporate bonds	**100,202**	121,491
Lease liabilities	**2,241**	—
	566,297	573,897
Less: amounts capitalized	**(3,123)**	(2,230)
	563,174	571,667

The borrowing costs on general borrowing pool capitalized are calculated by applying a capitalization rate of 6.68% per annum (2018: 6.18% per annum) for the period ended 30 June 2019.

9. INCOME TAX EXPENSE

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
PRC Enterprise Income Tax ("EIT")		
— current interim period	**329,612**	181,784
— under-provision in prior years	**3,507**	1,385
	333,119	183,169
Deferred tax	**(15,479)**	858
	317,640	184,027

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

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

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE PERIOD

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

	For the six months ended 30 June	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Depreciation of property, plant and equipment	**394,321**	390,660
Amortization of prepaid lease payments	**—**	8,280
Depreciation of right-of-use assets	**9,455**	—
Amortization of mining rights, included in cost of sales	**9,196**	5,572
Amortization of other intangible assets	**405**	405
Total depreciation and amortization, in aggregate	**413,377**	404,917
Cost of inventories recognized as an expense	**3,661,482**	2,933,407
Staff costs including retirement benefit	**232,871**	205,412

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	
	2019	2018
	RMB'000	*RMB'000*
	(unaudited)	(unaudited)
Earnings		
Profit for the period attributable to owners of the Company *(in thousands)*	**887,005**	550,816
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share *(in thousands)*	**2,938,282**	2,938,282

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

12. DIVIDENDS

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

13. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Trade receivables	**873,357**	306,718
Less: allowance for bad debts losses	**(44,225)**	(44,225)
	829,132	262,493
Bills receivables	**165,602**	890,674
Advances to suppliers	**2,735,040**	2,773,023
Value-added tax refund receivables	**76,426**	25,826
Prepayment for various tax	**159,194**	67,240
Prepaid lease payments	**—**	22,975
Other receivables	**434,626**	381,689
	4,400,020	4,423,920

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 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Within 90 days	**637,277**	181,172
91–180 days	**151,491**	37,554
181–360 days	**10,331**	17,542
1 year to 2 years	**26,818**	23,188
Over 2 years	**3,215**	3,037
Total	**829,132**	262,493

14. TRADE AND OTHER PAYABLES

	As at 30 June 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Trade payables	**1,410,051**	1,054,681
Bills payables	**1,853,800**	1,904,300
Construction cost payables	**185,615**	364,948
Advances from customers and other advances	**203,120**	110,566
Accrued interest	**73,475**	—
Other tax payables	**21,592**	53,858
Dividend payable to non-controlling interests	**—**	27,047
Other payables and accrued expenses	**99,804**	168,988
	3,847,457	3,684,388

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 2019 *RMB'000* (unaudited)	As at 31 December 2018 *RMB'000* (audited)
Within 1–90 days	**1,042,885**	506,694
91–180 days	**77,785**	161,883
181–365 days	**107,907**	187,038
Over 1 year	**181,474**	199,066
Total	**1,410,051**	1,054,681

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

In the first half of 2019, the Group adjusted itself to the current business environment, leveraged on the trend of the industry development, adhered to the industrial policies, implemented green development, optimized production and management, and increased sales and selling prices, resulting in the significant increases in gross profit margin and profit of the Group.

In the first half of 2019, the Group sold approximately 1.0 million tons of clinker externally, an increase of 0.6 million tons compared with 0.4 million tons in the same period of 2018. In the meantime, the clinker we produced was mainly used to meet the Group's internal needs of cement production.

In the first half of 2019, the sales volume of cement of the Group amounted to 14.6 million tons, representing an increase of 9.8% year-on-year. The average price was RMB351.0 per ton, representing an increase of RMB37.0 per ton or 11.8% compared to the same period last year. Our profit margin increased from 31.9% in the same period of 2018 to 33.4% in 2019.

In the first half of 2019, we recorded a revenue of RMB5,494.7 million, an increase of RMB1,188.1 million or 27.6% compared to the same period in 2018. The profit attributable to owners of the Company amounted to RMB887.0 million, representing an increase of RMB336.2 million or 61.0% from approximately RMB550.8 million in the first six months of 2018.

RESULTS REVIEW

In the first half of 2019, the supply-side structural reform was further carried forward and the economic structure kept improving. The government kept phasing out outdated production capacity, further increased industry concentration, continuously put in more efforts on environmental protection and strictly implemented the alternative production arrangements. In terms of market demand, investments in infrastructure and real estate development increased steadily and China's demand for cement remained stable in the first half of the year. In the first half of 2019, the Group strictly adhered to the emission standard of the cement industry, raised the bar for environmental protection, optimised production and management, and increased sales volume and selling prices, resulting in significant increases in profit and profit margins of the Group's core business.

BUSINESS ENVIRONMENT

In the first half of 2019, even when facing complex conditions at home country and abroad, China's economy performed within a reasonable range as a continuation of an overall steady uptrend. According to the National Bureau of Statistics, the GDP of the PRC in the first half of the year increased by 6.3% year-on-year, in which the first quarter grew by 6.4% year-on-year and the second quarter by 6.2%. However, the economy is facing a downturn pressure as a result of the current complex economic conditions at home country and abroad and a slowdown in the global economy.

In the first half of 2019, China's investment in fixed assets (excluding rural households) grew by 5.8% year-on-year, representing a decrease of 0.2% over the same period of last year. Investment in infrastructure (excluding electricity, heat, gas and water production and supply) increased by 4.1%, representing an increase of 0.3% over the same period of last year. Investment in real estate development rose by 10.9%, representing an increase of 1.2% over the same period of last year while the new construction area of real estate increased by 10.1% year-on-year, and the growth rate was 1.7% lower than the same period of last year. The fact that the regulations on the real estate have met expectations while the investment in infrastructure was steadily increasing contributed to a stable investment growth in general and a constant demand in the cement industry.

According to the Henan Provincial Bureau of Statistics, the GDP of Henan Province in the first half of 2019 increased by 7.7% as compared with the previous year, higher than the national average level by 1.4%; investment in fixed assets increased by 8.2%, higher than the national average level by 2.3%; in which, investment in infrastructure increased by 16.7% year-on-year; investment in real estate development increased by 4.1% year-on-year. The growth in investment in fixed assets, especially for the rise in investment in infrastructure, has raised the overall demand for cement in the region. According to the statistics of the Liaoning Provincial Bureau of Statistics, the GDP of Liaoning Province in 2019 increased by 5.8% over the previous year, lower than the national average level by 0.5%; investment in fixed assets increased by 5.2%; investment in real estate development rose by 9%, lower than the national average level by 1.9%. The weakened overall demand for cement in the region contributed to the decrease in the cement price.

CEMENT INDUSTRY

While the supply-side reform was further carried forward in the first half of 2019, policies such as alternative production arrangements and environmental protection limitations in the cement industry were implemented and promoted in favour of the supply side of the supply/demand relationship, and thus the overall inventory level of the cement industry were at historic lows. Meanwhile, investments in infrastructure and real estate development experienced steady growth and cement industry-related demand significantly rose. In the first half of 2019, according to the latest statistics of the National Bureau of Statistics of China, the national cement production volume accumulated was 1.05 billion tons, representing an increase of 6.8% year-on-year which is at its highest in five years.

In the first half of 2019, increases in both sales volume and selling prices were presented in the whole cement industry. In terms of selling prices, the price had continued its trend since the fourth quarter of 2018 and the overall cement price increased RMB20 per ton year-on-year in the first half of the year. Henan and Shandong, where prices were relatively low last year, showed a greater price increase and the overall industry efficiency saw a stable growth. Only in the Northeast region had the production volume increase while selling price dropped significantly. According to the National Bureau of Statistics of China, the operating income of the cement industry amounted to RMB455.4 billion, representing an increase of 16.7% year-on-year; while its total profit amounted to RMB82.59 billion, representing an increase of 29.6% year-on-year.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB5,494.7 million in the first half of 2019, representing an increase of RMB1,188.1 million, or 27.6%, from approximately RMB4,306.6 million in the same period of 2018.

Among others, the revenue from cement sales was approximately RMB5,138.8 million, representing an increase of 23.0% compared to RMB4,177.6 million in the same period of 2018. The sales volume of cement increased by 1.3 million tons or 9.8%, from approximately 13.3 million tons in the first half of 2018 to approximately 14.6 million tons in the same period of 2019. The Group took an active market strategy and increased the volumes and prices to face the changes of the demands and prices in the cement market, resulting in the significant increase in the sales revenue in the first half of 2019.

Clinker is a semi-finished product for the production of cement. The clinkers produced in the first half of 2019 were primarily used to satisfy the internal demand for cement production. Only approximately 1.0 million tons of the Group's clinkers were sold externally. Approximately RMB261.7 million of revenue generated from clinker sales was recorded in the first half of 2019, representing an increase of RMB132.7 million, or 102.9%, from approximately RMB129.0 million in the same period of 2018. The revenue growth was mainly due to the significant increase in the selling price of clinker.

In the first half of 2019, the Group's sales revenue from the central China region amounted to approximately RMB4,407.8 million, representing an increase of RMB1,110.0 million or 33.7% compared to approximately RMB3,297.8 million in the same period of 2018. The Group's sales revenue from the Northeastern region of China amounted to approximately RMB1,086.8 million, representing an increase of RMB77.9 million or 7.7% compared to approximately RMB1,008.9 million in the same period of 2018.

Revenue from sales of cement was approximately 93.5% and 97.0% of the total revenue in the first half of 2019 and the first half of 2018, respectively. Revenue from sales of clinker was approximately 4.8% and 3.0% of the total revenue in the first half of 2019 and the first half of 2018, respectively. In the first half of 2019, revenue from sales of aggregate was approximately 1.7% of the total revenue.

Cost of Sales

In the first half of 2019, we continued our efforts in reducing the impact of the 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 RMB3,661.5 million, a year-on-year increase of RMB728.1 million or 24.8% over the first half of 2018, mainly due to the increase in procurement price of rough coal and some of the raw materials.

Our cost of sales mainly consists of the costs of raw materials, coal and electricity. In the first half of 2019, our costs of raw materials, coal and electricity as a percentage of cost of sales were 37.2% (2018: 35.6%), 37.3% (2018: 36.0%) and 13.6% (2018: 14.6%), respectively. During the Reporting Period, our costs of raw materials, coal and electricity for the production of cement per ton were RMB87.1 (2018: RMB76.2), RMB87.5 (2018: RMB76.9) and RMB32.0 (2018: RMB31.1) respectively, representing increases of RMB10.9, RMB10.6 and RMB0.9 respectively over the same period of 2018.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB1,833.2 million in the first half of 2019, representing an increase of RMB460.0 million or 33.5% from approximately RMB1,373.2 million in the same period of last year. Our gross profit margin increased to 33.4% in the first half of 2019 from 31.9% in the same period of 2018. The primary reason for the increase of gross profit margin was that the increase of cement price was more substantial than the increase of costs for the first half of 2019.

In the first half of 2019, the Group's segment profit from the central China region amounted to approximately RMB1,159.3 million, representing an increase of RMB474.6 million or 69.3% compared to approximately RMB684.7 million in the same period of 2018. The increase was due to the significant increase in the selling prices of cement of that particular region. The Group's segment profit from the Northeastern region amounted to approximately RMB93.2 million, representing an increase of a profit of RMB21.1 million or 29.3% compared to a segment profit of approximately RMB72.1 million in the same period of 2018, mainly due to the increase in sales volume in the Northeastern region.

Other income

Other income was approximately RMB305.7 million in the first half of 2019, representing an increase of RMB24.6 million or 8.8% from approximately RMB281.1 million in the same period of 2018. The increase was primarily due to the increase in value added tax subsidies for the integrated use of resources.

Selling and Distribution Expenses

Our selling and distribution expenses were approximately RMB155.0 million in the first half of 2019, representing an increase of RMB15.0 million or 10.7% from approximately RMB140.0 million in the first half of 2018, mainly due to the increase in sales volume of cement in the current period.

Administrative Expenses

Our administrative expenses were approximately RMB172.4 million in the half year ended 30 June 2019, representing an increase of RMB7.3 million or 4.4% from approximately RMB165.1 million in the half year ended 30 June 2018. There was no significant change in the current period compared to the same period of last year.

Finance Costs

Finance costs were approximately RMB563.2 million in the first half of 2019, representing a decrease of RMB8.5 million or 1.5% from RMB571.7 million in the first half of 2018. The decrease was attributable to the decrease in borrowings.

Profit before Tax

As a result of the foregoing, our profit before tax was approximately RMB1,243.9 million in the first half of 2019, representing an increase of approximately RMB494.6 million or approximately 66.0% from approximately RMB749.3 million in the first half of 2018.

Income Tax Expenses

Our income tax expenses were approximately RMB317.6 million in the first half of 2019, representing an increase of RMB133.6 million or 72.6% from approximately RMB184.0 million in the first half of 2018, 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 2019 was approximately RMB887.0 million, representing an increase of RMB336.2 million or 61.0% from approximately RMB550.8 million in the first six months of 2018. Net profit margin was 16.9% in the first six months of 2019, representing an increase of 3.8% from the same period of 2018.

FINANCIAL AND LIQUIDITY POSITION

Trade and Other Receivables

Trade and other receivables decreased from RMB4,423.9 million as at 31 December 2018 to RMB4,400.0 million as at 30 June 2019, mainly due to the decreases in bills receivables.

Inventories

Inventories increased from RMB874.9 million as at 31 December 2018 to RMB1,309.8 million as at 30 June 2019, mainly due to increases in purchase price of raw materials.

Amounts due from associates

The amounts due from associates of approximately RMB1,910.1 million as at 31 December 2019 (2018: approximately RMB1,206.6 million) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Ltd. ("**Ruiping Shilong**") for the clinker purchase in 2019 under the Clinker Supply Framework Agreement and the deposit with Tianrui Group Finance Company Limited ("**Tianrui Finance**").

Cash and Cash Equivalents

Cash and bank balance increased from RMB711.8 million as at 31 December 2018 to RMB817.1 million as at 30 June 2019, primarily due to the increase in cash inflows from operation activities during the Reporting Period.

Trade and other payables

Trade and other payables increased from RMB3,684.4 million as at 31 December 2018 to RMB3,847.5 million as at 30 June 2019, mainly due to the increase in accounts payables.

Borrowings

Borrowings and bonds (including corporate bonds) of the Group was approximately RMB9,623.0 million as at 30 June 2019, a decrease of approximately RMB771.5 million from RMB10,394.5 million as at 31 December 2018. Borrowings due within one year and short-term bonds (including mid-term bonds due within one year) decreased from RMB5,853.7 million as at 31 December 2018 to RMB4,854.4 million as at 30 June 2019. Borrowings due after one year (including long-term bonds and corporate bonds) increased from RMB4,540.8 million as at 31 December 2018 to RMB4,768.6 million as at 30 June 2019, representing an increase of approximately 5.0%.

The Group has been repaying the debts as scheduled in accordance with the terms of the relevant loan agreements. As at 30 June 2019, we had unutilized banking facilities of approximately RMB758.4 million.

Principal Sources of Liquidity

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

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

As at 30 June 2019, our gearing ratio was 57.8%, representing a decrease of 3.4% from 61.2% as at 31 December 2018. As at 30 June 2019, our current ratio was 1.1, representing an increase of 10.1% from 1.0 as at 31 December 2018; our quick ratio was 1.0, representing an increase of 5.7% from 0.9 as at 31 December 2018; our debt equity ratio was 1.4, representing a decrease of 0.2 or 13.3% from 1.6 as at 31 December 2018.

Notes:

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

2. Current ratio = current assets/current liabilities

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

4. Debt equity ratio = Total liabilities/equity interests, of which equity interests include minority interests or non-controlling interests

NET GEARING RATIO

As at 30 June 2019, our net gearing ratio was 45.3%, representing a decrease of 12.6% from 57.9% as at 31 December 2018. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure during the first half of 2019 was approximately RMB199.3 million (for the first half of 2018: approximately RMB56.4 million) and capital commitment as at 30 June 2019 was approximately RMB419.2 million (as at 31 December 2018: approximately RMB399.3 million). Both capital expenditure and capital commitment were mainly related to the construction of production facilities for cement and aggregate businesses and the purchase of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure by cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 30 June 2019, the carrying amount of assets of the Group pledged to secure bank borrowings amounted to approximately RMB3,430.1 million (as at 31 December 2018: approximately RMB3,879.8 million).

CONTINGENT LIABILITIES

As at 30 June 2019, other than the contingent liabilities arising from the provision of guarantee to connected parties amounting to approximately RMB1,275.8 million (31 December 2018: RMB1,275.8 million), we did not have other contingent liabilities. The guarantees provided to the connected party have been provided pursuant to Tianrui Cement Guarantees according to the 2017 Framework Agreement Provision of Mutual Guarantees, details of which were set out in the circular dated 1 May 2017.

SIGNIFICANT INVESTMENTS, ACQUISITION OR DISPOSAL

For the six months ended 30 June 2019, the Group has not involved in any significant investment, acquisition or disposal.

MATERIAL LITIGATION

During the six months ended 30 June 2019, 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.

MARKET RISKS

Exchange Rate Risk

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

Interest Rate Risk

The Group is exposed to interest rate risk resulting from our long-term and short-term borrowings. The Group reviews our borrowing profiles regularly to monitor our interest rate risk, and will consider hedging significant interest rate exposure when necessary. As the Group's exposure to interest rate risk relates primarily to our interest-bearing bank loans, we keep our borrowings at variable rates and seek to minimize fair value interest rate risk, and to manage our interest rate risk exposure from all of our interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity Risk

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

EMPLOYEES AND REMUNERATION POLICY

As at 30 June 2019, the Group had 7,559 employees (as at 30 June 2018: 7,609). As at 30 June 2019, staff costs (including remuneration) was approximately RMB232.9 million (for the same period of 2018: approximately RMB205.4 million). The remuneration policies, bonus and training programs for employees of the Group were implemented on an ongoing basis.

PROSPECTS

In 2019, the cement industry still faces different challenges, which includes elimination of production capacity, suspension of alternative production arrangements, increasingly tightened environmental protection monitoring. Apart form a complex international situation, investments in fixed assets, infrastructure and real estate development, greater support from the government are expected to maintain a steady growth, which backs the demand of cement in the future. Leveraging on the Group's regional advantages, advanced operation and management capability, and cooperation with the whole world, we will continue developing our aggregate business and aim to increase our operating revenue and gross profit margin to maintain our regional competitiveness.

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.

For the six months ended 30 June 2019, the Company had been applying the code provisions set out in the Corporate Governance Code contained in Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (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 six months ended 30 June 2019.

Given the resignation of the chief executive officer of the Company on 1 December 2015, the Company has not yet appointed a new chief executive officer up to 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 three executive Directors. The Executive Committee is in charge of the daily operation of the major businesses of the Group, the Executive Committee members do not include the chairman of the Board, and this will ensure that the authority is not to be concentrated in one person.

COMPLIANCE WITH MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Having made specific enquiry with the Directors, all of them confirmed that they had complied with the required standards set out in the Model Code during the six months ended 30 June 2019.

PURCHASE, SALE OR REDEMPTION OF LISTED SECURITIES OF THE COMPANY

During the six months ended 30 June 2019, 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 six months ended 30 June 2019 (30 June 2018: 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 2019. 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, 20 August 2019

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

Chairman and Non-executive Director
Mr. Li Liufa

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

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