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 ANNUAL RESULTS FOR THE YEAR ENDED 31 DECEMBER 2021

Summary/Financial Highlights	**For the year ended 31 December**		
	2021	2020	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Revenue	**12,716,775**	12,170,754	+4.5%
Gross profit	**3,233,825**	4,197,961	−23.0%
EBITDA	**3,643,156**	4,719,579	−22.8%
Profit	**1,281,522**	1,970,450	−35.0%
Of which: Profit attributable to owners of the Company	**1,200,590**	1,860,580	−35.5%
Basic earnings per share *(RMB)*	**0.41**	0.63	−35.5%

	As at 31 December		
	2021	2020	**Percentage of Change**
	RMB'000	*RMB'000*	*(%)*
Total assets	**32,658,235**	32,439,501	+0.7%
Of which: Current assets	**16,925,766**	15,981,644	+5.9%
Total liabilities	**16,589,957**	17,616,603	−5.8%
Of which: Current liabilities	**13,254,960**	13,426,148	−1.3%
Total equity	**16,068,278**	14,822,898	+8.4%
Of which: Equity attributable to owners of the Company	**15,883,608**	14,694,050	+8.1%

The board (the "**Board**") of directors (the "**Directors**") of China Tianrui Group Cement Company Limited (the "**Company**") is pleased to announce the audited financial results of the Company and its subsidiaries (collectively, the "**Group**", "**our Group**", "**our**" or "**we**") for the year ended 31 December 2021 (the "**Year**").

CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

For the year ended 31 December 2021

	Notes	**2021** ***RMB'000***	2020 *RMB'000*
Revenue	3, 4	**12,716,775**	12,170,754
Cost of sales		**(9,482,950)**	(7,972,793)
Gross profit		**3,233,825**	4,197,961
Other income	5	**521,904**	506,284
Impairment losses under expected credit loss model, net of reversal	7	**2,819**	(12,105)
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss		**13,120**	(66,094)
Other gains and losses, net	6	**86,269**	144,802
Distribution and selling expenses		**(416,311)**	(380,723)
Administrative expenses		**(917,034)**	(818,225)
Other expenses		**(105,092)**	(116,186)
Share of results of associates		**35,057**	93,458
Finance costs	8	**(1,001,454)**	(1,181,070)
Profit before tax		**1,453,103**	2,368,102
Income tax expense	9	**(171,581)**	(397,652)
Profit and total comprehensive income for the year	10	**1,281,522**	1,970,450
Profit and total comprehensive income for the year attributable to:			
Owners of the Company		**1,200,590**	1,860,580
Non-controlling interests		**80,932**	109,870
		1,281,522	1,970,450
		2021 ***RMB***	2020 *RMB*
Earnings per share			
Basic and diluted	11	**0.41**	0.63

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
As at 31 December 2021

	Notes	2021 RMB'000	2020 RMB'000
NON-CURRENT ASSETS			
Property, plant and equipment		**10,169,121**	10,572,135
Long-term deposits		**218,134**	682,778
Right-of-use assets		**1,013,962**	892,434
Mining rights		**1,364,769**	1,408,155
Goodwill		**300,857**	294,014
Other intangible assets		**14,000**	—
Investments in associates		**1,111,346**	1,076,289
Derivative financial instruments		**1,155**	1,246
Deferred tax assets		**155,771**	156,836
Pledged bank balances		**47,076**	108,148
Amounts due from an associate		**518,878**	415,431
Other prepayments		**817,400**	850,391
		15,732,469	16,457,857
CURRENT ASSETS			
Inventories		**850,721**	1,039,363
Trade and other receivables	13	**8,351,250**	8,080,329
Amounts due from an associate		**928,630**	904,000
Deposit		**104,959**	—
Financial assets at fair value through profit or loss		**9,694**	2,408
Pledged bank balances		**4,369,881**	3,543,429
Cash, deposits and bank balances		**2,310,631**	2,412,115
		16,925,766	15,981,644
CURRENT LIABILITIES			
Trade and other payables	14	**4,273,572**	4,715,714
Contract liabilities		**526,892**	368,242
Lease liabilities due within one year		**12,128**	24,996
Other financial liabilities		**992,110**	464,859
Loan from an associate due within one year		**400,000**	1,200,000
Borrowings due within one year		**5,785,130**	3,978,711
Long-term corporate bonds due within one year		**37,610**	2,136,291
Current tax liabilities		**331,676**	525,694
Guaranteed notes due within one year		**884,913**	—
Financial guarantee contracts		**10,929**	11,641
		13,254,960	13,426,148
NET CURRENT ASSETS		**3,670,806**	2,555,496
TOTAL ASSETS LESS CURRENT LIABILITIES		**19,403,275**	19,013,353

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

	Notes	**2021** **_RMB'000_**	2020 *RMB'000*
CAPITAL AND RESERVES			
Share capital		**24,183**	24,183
Share premium and reserves		**15,859,425**	14,669,867
Equity attributable to owners of the Company		**15,883,608**	14,694,050
Non-controlling interests		**184,670**	128,848
TOTAL EQUITY		**16,068,278**	14,822,898
NON-CURRENT LIABILITIES			
Borrowings due after one year		**1,522,198**	1,714,083
Loan from an associate due after one year		**800,000**	—
Guaranteed notes		**—**	897,714
Long-term corporate bonds		**26,981**	66,490
Lease liabilities due after one year		**6,608**	18,736
Other financial liabilities		**215,750**	766,386
Deferred tax liabilities		**167,217**	176,176
Deferred income		**209,460**	140,379
Provision for environmental restoration		**43,422**	39,216
Other long-term payable		**343,361**	371,275
		3,334,997	4,190,455
		19,403,275	19,013,353

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

For the year ended 31 December 2021

1. GENERAL INFORMATION

China Tianrui Group Cement Company Limited (the "**Company**") was 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 are 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 Province, the People's Republic of China (the "**PRC**" or "**China**").

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

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

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

2.1 Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to IFRSs issued by the International Accounting Standards Board ("**IASB**") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2021 for the preparation of the consolidated financial statements:

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

In addition, the Group applied the agenda decision of the IFRS Interpretations Committee (the "**Committee**") of the IASB issued in June 2021 which clarified the costs an entity should include as "estimated costs necessary to make the sale" when determining the net realizable value of inventories.

The application of the amendments to IFRSs and the Committee's agenda decision in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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

2.2 New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	*Insurance Contracts and the related Amendments*[3]
Amendments to IFRS 3	*Reference to the Conceptual Framework*[2]
Amendments to IFRS 10 and IAS 28	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
Amendments to IFRS 16	*Covid-19-Related Rent Concessions beyond 30 June 2021*[1]
Amendments to IAS 1	*Classification of Liabilities as Current or Non-current*[3]
Amendments to IAS 1 and IFRS Practice Statement 2	*Disclosure of Accounting Policies*[3]
Amendments to IAS 8	*Definition of Accounting Estimates*[3]
Amendments to IAS 12	*Deferred Tax related to Assets and Liabilities arising from a Single Transaction*[3]
Amendments to IAS 16	*Property, Plant and Equipment — Proceeds before Intended Use*[2]
Amendments to IAS 37	*Onerous Contracts — Cost of Fulfilling a Contract*[2]
Amendments to IFRS Standards	*Annual Improvements to IFRS Standards 2018–2020*[2]

1 Effective for annual periods beginning on or after 1 April 2021.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after 1 January 2023.
4 Effective for annual periods beginning on or after a date to be determined.

Except for the amendments to IFRSs mentioned below, the directors of the Company anticipate that the application of new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

Amendments to IAS 1 Classification of Liabilities as Current or Non-current

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

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

2.2 New and amendments to IFRSs in issue but not yet effective (Continued)

Amendments to IAS 1 Classification of Liabilities as Current or Non-current (Continued)

(ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 Financial Instruments: Presentation.

As at 31 December 2021, the Group's right to defer settlement for borrowings of RMB70,000,000 are subject to compliance with certain financial ratios quarterly and of RMB200,000,000 subject to compliance with certain financial ratios at each reporting date. Such borrowings were classified as non-current as the Group met such ratios as at 31 December 2021. Pending clarification on the application of relevant requirements of the amendments, the Group will further assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2021.

Amendments to IAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of IAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

For leasing transactions in which the tax deductions are attributable to the lease liabilities (please see Note below), the Group applies IAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for annual reporting periods beginning on or after 1 January 2023, with early application permitted. As at 31 December 2021, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to RMB17,348,000 and RMB18,736,000 respectively. The Group is still in the process of assessing the full impact of the application of the amendments.

3. REVENUE

Disaggregation of revenue from contracts with customers:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Sales of cement	**11,405,703**	10,940,108
Sales of clinker	**425,285**	442,271
Sales of limestone aggregate	**885,787**	788,375
	12,716,775	12,170,754
Timing of revenue recognition — A point in time	**12,716,775**	12,170,754

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

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

4. SEGMENT INFORMATION

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

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

4. SEGMENT INFORMATION (CONTINUED)

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

	Segment revenue		Segment profit	
	Year ended 31 December		Year ended 31 December	
	2021	2020	**2021**	2020
	RMB'000	*RMB'000*	***RMB'000***	*RMB'000*
Central China	**9,350,926**	9,213,617	**1,175,520**	2,172,267
Northeastern China	**3,365,849**	2,957,137	**375,668**	289,364
Total	**12,716,775**	12,170,754	**1,551,188**	2,461,631
Unallocated corporate administrative expenses			**(203,379)**	(175,989)
Unallocated other gains and losses, net			**92,174**	148,554
Gain/(loss) from changes in fair value of financial assets at fair value through profit or loss ("**FVTPL**")			**13,120**	(66,094)
Profit before tax			**1,453,103**	2,368,102

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

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

4. SEGMENT INFORMATION (CONTINUED)

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
SEGMENT ASSETS		
Central China	**26,859,712**	26,738,678
Northeast China	**5,578,116**	5,382,470
Total segment assets	**32,437,828**	32,121,148
Derivative financial instruments	**1,155**	1,246
Financial assets at FVTPL	**9,694**	2,408
Deferred tax assets	**155,771**	156,836
Unallocated other receivables	**23,966**	9,775
Unallocated cash, deposits and bank balances	**29,821**	148,088
Total assets	**32,658,235**	32,439,501
SEGMENT LIABILITIES		
Central China	**13,922,621**	13,805,047
Northeast China	**2,144,803**	3,066,111
Total segment liabilities	**16,067,424**	16,871,158
Deferred tax liabilities	**167,217**	176,176
Current tax liabilities	**331,676**	525,694
Unallocated other payables	**23,640**	43,575
Total liabilities	**16,589,957**	17,616,603

For the purposes of monitoring segment performances and allocating resources between segments:

— all assets are allocated to operating and reportable segments other than derivative financial instruments, financial assets at FVTPL, deferred tax assets, certain unallocated other receivables, and certain unallocated cash, deposits and bank balances; and

— all liabilities are allocated to operating and reportable segments other than deferred tax liabilities, current tax liabilities and certain unallocated other payables.

4. SEGMENT INFORMATION (CONTINUED)

Other segment information

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

For the year ended 31 December 2021

	Central China *RMB'000*	**Northeast China** *RMB'000*	**Total** *RMB'000*
Additions to property, plant and equipment	**362,634**	**106,814**	**469,448**
Additions to rights-of-use assets	**34,571**	**1,158**	**35,729**
Additions to mining rights	**42,653**	**—**	**42,653**
Finance costs	**900,084**	**101,370**	**1,001,454**
Provision for environmental restoration	**44,439**	**3,169**	**47,608**
Depreciation and amortisation before capitalisation	**901,529**	**287,070**	**1,188,599**
(Reversal)/impairment loss under expected credit loss model, net of reversal	**(597)**	**(2,222)**	**(2,819)**
Loss/(gain) on disposal of property, plant and equipment, net	**2,955**	**(207)**	**2,748**
Value-added tax refund	**(213,733)**	**(55,651)**	**(269,384)**
Incentive subsidies	**(39,300)**	**(3,569)**	**(42,869)**
Interest income	**(84,546)**	**(8,200)**	**(92,746)**
Share of results of associates	**(35,057)**	**—**	**(35,057)**
Investments in associates	**1,111,346**	**—**	**1,111,346**

For the year ended 31 December 2020

	Central China *RMB'000*	Northeast China *RMB'000*	Total *RMB'000*
Additions to property, plant and equipment	404,298	147,151	551,449
Additions to rights-of-use assets	24,605	9,250	33,855
Additions to mining rights	648,454	—	648,454
Finance costs	930,281	250,789	1,181,070
Provision for environmental restoration	25,063	2,349	27,412
Depreciation and amortisation before capitalisation	875,709	294,698	1,170,407
Impairment loss under expected credit loss model, net of reversal	2,245	9,860	12,105
Gain on disposal of property, plant and equipment, net	(1,607)	(9,228)	(10,835)
Value-added tax refund	(278,509)	(67,485)	(345,994)
Incentive subsidies	(27,182)	(6,908)	(34,090)
Interest income	(67,359)	(4,900)	(72,259)
Share of results of associates	(93,458)	—	(93,458)
Investments in associates	1,076,289	—	1,076,289

4. SEGMENT INFORMATION (CONTINUED)

Revenue from major products has been disclosed in Note 3. All of the Group's operations, as well as all external customers and its non-current assets, are located in the PRC.

No revenue from a single customer contributing over 10% of the total revenue of the Group for the years ended 31 December 2021 and 2020.

5. OTHER INCOME

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Value-added tax refund	**269,384**	345,994
Incentive subsidies	**42,869**	34,090
Interest income on bank deposits	**84,139**	69,382
Interest income from loans to an associate	**8,607**	2,877
Rental income	**26,833**	3,259
Release of deferred income	**12,821**	8,584
Release of financial guarantee liability	**11,745**	10,051
Income from sundry operations	**45,777**	24,914
Software service income	**18,176**	6,203
Others	**1,553**	930
	521,904	506,284

6. OTHER GAINS AND LOSSES

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Foreign exchange gain, net	**88,351**	142,466
(Loss)/gain on disposal of property, plant and equipment, net	**(2,748)**	10,835
Others	**666**	(8,499)
	86,269	144,802

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Impairment losses/(reversal of impairment losses) recognised on:		
Trade receivables — goods and services	**(5,322)**	4,216
Other receivables	**2,503**	7,889
	(2,819)	12,105

8. FINANCE COSTS

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Interest on:		
Bank and other borrowings	**518,709**	515,170
Bills discounted with recourse	**224,933**	232,082
Lease liabilities	**2,834**	3,646
Guaranteed notes	**115,976**	117,881
Long-term corporate bonds	**11,335**	193,624
Loans from an associate	**47,662**	34,065
Other financial liabilities	**93,835**	108,250
	1,015,284	1,204,718
Less: amounts capitalised in the cost of qualifying assets	**(13,830)**	(23,648)
	1,001,454	1,181,070

9. INCOME TAX EXPENSE

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Current tax:		
PRC Enterprise Income Tax ("EIT")	**199,863**	422,161
Overprovision in prior years:		
EIT	**(16,888)**	(44,482)
Deferred tax	**(11,394)**	19,973
	171,581	397,652

No provision for Hong Kong taxation has been made during both years as the Group's income neither arisen nor is derived from Hong Kong.

Certain subsidiaries operating in the PRC are eligible for preferential tax rate of 15% under relevant preferential tax policy for high-technology enterprises starting from financial year 2020 and 2021 for a period of 3 years.

Under the Law of the PRC on Enterprise Income Tax (the "**EIT Law**") and Implementation Regulation of the EIT Law, except for the preferential treatments available to certain subsidiaries as mentioned above, other subsidiaries within the Group operating in the PRC are subject to EIT at the statutory rate of 25% (2020: 25%).

10. PROFIT AND TOTAL COMPREHENSIVE INCOME FOR THE YEAR

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

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Depreciation of property, plant and equipment	**1,054,862**	1,056,480
Amortisation of right-of-use assets	**47,698**	42,685
Amortisation of mining rights, included in cost of sales	**86,039**	71,242
Total depreciation and amortisation	**1,188,599**	1,170,407
Less: Amounts capitalised to inventories	**(780,755)**	(740,013)
Amounts included in other expenses *(note)*	**(44,282)**	(44,573)
	363,562	385,821
Cost of inventories recognised as an expense	**9,482,950**	7,972,793
Employee benefits expense (including contributions to retirement benefit scheme, and directors' emoluments)	**567,362**	502,192
Less: Amounts capitalised to inventories	**(203,865)**	(187,238)
	363,497	314,954
Auditor's remuneration	**2,700**	2,700
Research and development costs recognized as an expense (included in administrative expenses)	**462,611**	362,336

Note:

Depreciation and amortisation amounting to RMB44,282,000 (2020: RMB44,573,000) during the temporary suspension period due to seasonal effect are included in other expenses on the consolidated statement of profit or loss and other comprehensive income.

11. EARNINGS PER SHARE

The calculation of the basic earnings per share attributable to owners of the Company for each of reporting period is based on the following data:

	Year ended 31 December	
	2021	2020
	RMB'000	*RMB'000*
Earnings		
Profit for the year attributable to owners of the Company	**1,200,590**	1,860,580

11. EARNINGS PER SHARE (CONTINUED)

	Year ended 31 December	
	2021	2020
	'000	*'000*
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	**2,938,282**	2,938,282

Diluted earnings per share is presented as the same as basic earnings per share for both 2021 and 2020 as there were no potential ordinary shares in issue for the Company for both 2021 and 2020.

12. DIVIDEND

No dividend was paid or proposed for ordinary shareholders of the Company during 2021, nor has any dividend been proposed since the end of the reporting period (2020: Nil).

13. TRADE AND OTHER RECEIVABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade receivables	**234,797**	214,788
Less: allowances for credit losses	**(54,597)**	(59,919)
	180,200	154,869
Bills receivables	**3,269,271**	3,762,867
Other receivables	**4,901,779**	4,162,593
	8,351,250	8,080,329

The credit term granted to customers is normally 180 days upon delivery of goods. The aged analysis of the Group's trade receivables (net of allowances for credit losses) prepared based on the goods delivery date at the end of each reporting period is as follows:

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**144,063**	144,540
91–180 days	**16,112**	3,993
181–365 days	**18,863**	6,209
1–2 years	**1,162**	127
Total	**180,200**	154,869

14. TRADE AND OTHER PAYABLES

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Trade payables	**721,593**	867,343
Bills payables	**2,676,427**	3,170,900
Other payables and accrued expenses	**875,552**	677,471
	4,273,572	4,715,714

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

	As at 31 December	
	2021	2020
	RMB'000	*RMB'000*
Within 90 days	**317,532**	418,228
91–180 days	**188,717**	156,686
181–365 days	**119,501**	97,253
Over 1 year	**95,843**	195,176
Total	**721,593**	867,343

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

2021 is the first year of "14th Five-Year Plan", the cement industry and enterprises continue to benefit from the Chinese Government's social and economic policy environment of "prudent progress", so the cement industry is generally stable. In 2021, the cement industry and the Group also faced numerous difficulties and challenges: (1) soaring coal prices; (2) dual control in energy consumption and energy intensity and the limitations on the use of electricity and production; (3) "720 Floods" in Zhengzhou, Xinxiang, Henan and other areas in the region; and (4) two outbreaks of pandemic in Zhengzhou, which directly and indirectly affected the production and sales of the enterprises and led to an increase in costs, and brought difficulties to the Group and especially the enterprises located in the above areas, and affected the economic benefits of the Group this year.

The Group has responded various challenges in an active manner by adopting measures such as centralized coal procurement and optimization allocation to try to relieve the impact of soaring coal costs. The Group adopts measures such as "electricity peak and valley"(電力峰谷) production and inventory adjustment mechanism to reduce the impact of production and power restrictions. The Group actively carries out disaster relief measures, restores production, and reduces property losses and the impact on production and operation under the threat of floods. In facing the impact of pandemic, the Group actively makes efforts in prevention and control, as well as adopts various measures to reduce the impact of the pandemic on business operations. In 2021, the Group made concerted efforts to overcome various difficulties, which effectively controlled and reduced the extent of decline in sales.

As of 31 December 2021, the production capacity of clinker of the Group is 28.4 million tonnes, while the production capacity of cement and aggregate are 56.4 million tonnes and 20.2 million tonnes respectively.

In 2021, the sales volume of cement of the Group amounted to approximately 35.7 million tonnes, representing a decrease of approximately 0.1 million tonnes or 0.4% year-on-year as compared to approximately 35.8 million tonnes in the same period of 2020. The average price was approximately RMB319.8 per tonne, representing an increase of RMB14.4 per tonne or 4.7% compared to the same period in 2020.

In 2021, the sales volume of aggregate of the Group amounted to approximately 20.0 million tonnes, representing an increase of approximately 6.8 million tonnes or 52.2% as compared to approximately 13.2 million tonnes in the same period of 2020. The average price was approximately RMB44.2 per tonne, representing a decrease of RMB15.7 per tonne or 26.2% compared to the same period in 2020.

In 2021, the Group sold approximately 1.4 million tonnes of clinker externally, representing a decrease of approximately 0.4 million tonnes as compared to approximately 1.8 million tonnes sold in the same period of 2020. During the year, the clinker we produced was mainly used to meet the Group's internal need of cement production.

In 2021, the Group recorded a revenue of approximately RMB12,716.8 million, representing an increase of approximately RMB546.0 million or 4.5% compared to the same period in 2020. The profit attributable to owners of the Company amounted to approximately RMB1,200.6 million, representing a decrease of approximately RMB660.0 million or approximately 35.5% from approximately RMB1,860.6 million in 2020.

BUSINESS ENVIRONMENT

According to the preliminary government statistics, the annual gross domestic product ("**GDP**") for 2021 is RMB114.367 trillion, representing an increase of 8.1% as compared to 2020, and the average growth rate is 5.1% between two years. The fixed assets investment of PRC (excluding rural household) in 2021 grew by 4.9% compared to the same period in 2020 to RMB54.4547 trillion. Among which, growth in fixed assets investment is seen in Central China and Northeastern China, which increased by 10.2% and 5.7% respectively. Investment in infrastructure increased by 0.4% when compared to last year, while the investment in domestic real estate development recorded RMB14.7602 trillion, representing an increase of 4.4% from last year's figure.

According to the preliminary government statistics, Henan Province's annual GDP for 2021 is RMB5.888741 trillion, representing an increase of 6.3% as compared to 2020, and the average growth rate is 3.6% between two years. Henan Province's annual investment in fixed assets (excluding rural households, the same below) increased by 4.5% as compared to 2020. Infrastructure development in Henan Province increased by 0.3% as compared to 2020. Real estate development investment amounts to RMB787.435 billion representing increase of 1.2% as compared to 2020.

From the above two sets of economic data, data such as the national and regional GDP, fixed assets investment in 2021 maintained a relatively high growth rate; however, the growth of infrastructure investment and real estate development investment were weak. The continuous growth of the total economic output ensured the overall stability of cement demand, and the weak growth of infrastructure investment and real estate development investment in the year restricted the growth of cement demand.

In 2021, the Chinese Government maintained the stability of industry policy, adopted the carbon neutrality policy, continuously carried out the supply-side structural reform, implemented the environmental protection policy, and maintained normalized alternative production arrangements. These measures are beneficial to optimize the supply and demand relationship in the cement industry and play a certain role in resolving excess capacity. They are also beneficial to support the product price platform of the industry. In 2021, the major unfavorable factors for the industry are mainly the rising prices of coal and raw materials, especially the drastic rise in cost of sales caused by the more expensive coal and raw materials which would greatly squeeze and undermine the profit margins of the enterprises.

CEMENT INDUSTRY

In 2021, the overall demand for cement shows a phenomenon of "weakening demand, started high and ended low". According to the data from the National Bureau of Statistics, in 2021, the domestic production volume of cement is 2.363 billion tonnes, which records a year-on-year decrease of 1.2%.

According to the Digital Cement, the website of China Cement Association, under the context of a sharp rise in cement production costs and a shrinking cement supply in the domestic cement market, cement prices generally increased in 2021, representing an increase of 10.7% compared to 2020, and reaching a record high. In view of the trend throughout the year, cement prices showed a trend of "surged following a drop". The main reasons for the sharp rise in prices are as follow: (1) the sudden tightening of the intensity of dual control of energy consumption, which resulted in a tight actual and expected supply although it had an impact on the production at that time; and (2) the increase in cement cost caused by the surge in raw and fuel materials. In particular, the rising coal price and the substantial increase in the production cost of enterprises have led to a larger increase in cement prices in most regions in the PRC.

In 2021, as the increase in production costs greatly offset the benefits brought about by the increase in cement prices, it did not contribute to a substantial increase in the profits of the whole industry. In accordance with the data published by the Ministry of Industry and Information Technology, the revenue of the cement industry in 2021 was RMB1,075.4 billion, representing a year-on-year increase of 7.3%, and the total profit was RMB169.4 billion, representing a year-on-year decrease of 10.0%. The profit structure has been optimized, and the profit contribution of the northern region has been increased. In particular, the businesses in pan-northeast region, which had been making losses for long, have achieved an overall improvement.

FINANCIAL REVIEW

Revenue

The revenue of the Group was approximately RMB12,716.8 million in 2021, representing an increase of RMB546.0 million, or an increase of 4.5%, from approximately RMB12,170.8 million in 2020.

The revenue from cement sales was approximately RMB11,405.7 million in 2021, representing an increase of RMB465.6 million, or 4.3%, as compared with 2020. Our sales volume of cement decreased by 0.1 million tonnes or 0.4%, from approximately 35.8 million tonnes in 2020 to approximately 35.7 million tonnes in 2021.

Clinker is a semi-finished product used to produce cement. Our clinkers produced in 2021 were primarily used to satisfy the internal demand for cement production. Only approximately 1.4 million tonnes of the Group's clinkers were sold externally. Approximately RMB425.3 million of revenue generated from our clinker sales was recorded in 2021, representing a decrease of RMB17.0 million, or 3.8%, from approximately RMB442.3 million in 2020. The decrease in revenue was mainly due to the decrease in the sales volume of clinkers.

Revenue from our sales of aggregate amounted to approximately RMB885.8 million, representing an increase of approximately RMB97.4 million, or 12.4%, from approximately RMB788.4 million in 2020. The sales volume of aggregate amounted to approximately 20.0 million tonnes, representing an increase of approximately 6.8 million tonnes or 52.2% as compared to approximately 13.2 million tonnes in 2020. The increase in revenue was mainly due to the increase in the sales volume of aggregate.

In 2021, the Group's sales revenue from the Central China region amounted to approximately RMB9,350.9 million, representing an increase of RMB137.3 million or 1.5% compared to approximately RMB9,213.6 million in 2020. The Group's sales revenue from the Northeastern China region amounted to approximately RMB3,365.8 million, representing an increase of RMB408.7 million or 13.8% compared to approximately RMB2,957.1 million in 2020.

In 2021, revenue from our sales of cement, clinker and aggregate accounted for approximately 89.7% (2020: 89.9%), 3.3% (2020: 3.6%) and 7.0% (2020: 6.5%) of the total revenue, respectively.

Cost of Sales

In 2021, the Company continued its efforts in reducing unit production costs of cement and clinker by leveraging on our economies of scale and through centralized procurement. Our cost of sales was approximately RMB9,483.0 million during the reporting period, representing an increase of RMB1,510.2 million, or 18.9% as compared with 2020. The increase was primarily due to increase in unit cost of cement and clinker.

Cost of sales mainly consists of cost of raw materials, coal and electricity. In 2021, our costs of raw materials, coal and electricity as a percentage of cost of sales of cement and clinker were approximately 33.4%, 40.7% and 11.2%, respectively. During the period, our costs of raw materials, coal and electricity for one tonne of cement and clinker were approximately RMB81.2, RMB98.9 and RMB27.3, respectively, representing an increase of RMB2.7, an increase of RMB38.3 and an increase of RMB0.1, respectively, as compared with 2020.

Gross Profit, Gross Profit Margin and Segment Profit

Our gross profit was approximately RMB3,233.8 million for the year ended 31 December 2021, representing a decrease of RMB964.1 million, or 23.0%, from approximately RMB4,198.0 million in 2020. Our gross profit margin decreased to approximately 25.4% in 2021 from approximately 34.5% in 2020. The decrease in gross profit margin was primarily due to the increase in the price of cement in 2021 was smaller than the increase in the cost per tonne.

In 2021, the Group's segment profit from the central China region amounted to approximately RMB1,175.5 million, representing a decrease of RMB996.7 million or 45.9% compared to approximately RMB2,172.3 million in 2020. The decrease was due to the decrease in the unit gross profit of cement in the region. The Group's segment profit from the Northeastern region amounted to approximately RMB375.7 million, representing an increase of RMB86.3 million or 29.8% compared to a segment profit of approximately RMB289.4 million in 2020. The increase in selling price of cement in the Northeastern region was the main cause of the increase in profit for the region.

Other income

Other income was approximately RMB521.9 million for the year ended 31 December 2021, representing an increase of RMB15.6 million, or 3.1%, from approximately RMB506.3 million for the year ended 31 December 2020. Among other income for the year, VAT refund decreased due to the decrease in gross profit; and interest income on bank deposits and income from other operations increased, resulting in the overall other income remaining stable as compared to the last year.

Selling and Distribution Expenses

For the year ended 31 December 2021, selling and distribution expenses were approximately RMB416.3 million, representing an increase of RMB35.6 million or 9.3% as compared to approximately RMB380.7 million for the year ended 31 December 2020. The increase was primarily due to the increase in transportation cost and labor cost.

Administrative Expenses

Administrative expenses were approximately RMB917.0 million for the year ended 31 December 2021, representing an increase of RMB98.8 million, or an increase of 12.1%, from approximately RMB818.2 million for the year ended 31 December 2020. The increase in administrative expenses was mainly due to the inclusion of research and development expenses and the increase in labor cost.

Other Expenses

Other expenses were approximately RMB105.1 million for the year ended 31 December 2021, representing a decrease of approximately RMB11.1 million, or 9.5%, from approximately RMB116.2 million for the year ended 31 December 2020. Other expenses included the expenses for the Group's donation of over RMB20.0 million to support the "720 Flood Disaster" in Henan Province. The decrease in such expenditure was mainly due to the seasonal suspension of production.

Finance Costs

Finance costs were approximately RMB1,001.5 million for the year ended 31 December 2021, representing a decrease of RMB179.6 million, or 15.2%, from approximately RMB1,181.1 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in the interest expense related to the corporate bonds, as a result of the repayment of such bonds of RMB2,000 million by the Group in February 2021.

PROFIT BEFORE TAX

As a result of the foregoing, our profit before tax was approximately RMB1,453.1 million for the year ended 31 December 2021, representing a decrease of approximately RMB915.0 million, or approximately 38.6%, from approximately RMB2,368.1 million for the year ended 31 December 2020.

INCOME TAX EXPENSES

Income tax expenses were approximately RMB171.6 million for the year ended 31 December 2021, representing a decrease of RMB226.1 million, or about 56.9% from approximately RMB397.7 million for the year ended 31 December 2020. The decrease was primarily attributable to the decrease in profit before tax.

PROFIT ATTRIBUTABLE TO OWNERS OF THE COMPANY AND NET PROFIT MARGIN

As a result of the foregoing, profit attributable to owners of the Company for the year ended 31 December 2021 was approximately RMB1,200.6 million, representing a decrease of RMB660.0 million, or about 35.5%, from approximately RMB1,860.6 million for the year ended 31 December 2020. The net profit margin decreased from 15.3% for the year ended 31 December 2020 to 9.4% for the year ended 31 December 2021.

FINANCIAL AND LIQUIDITY POSITION

Trade and other receivables

Trade and other receivables increased from approximately RMB8,080.3 million for the year ended 31 December 2020 to approximately RMB8,351.3 million for the year ended 31 December 2021, mainly due to the increase in receivables and prepayments to suppliers due to the increase in sales and procurement.

Amounts due from an associate

The amounts due from an associate of approximately RMB1,447.5 million for the year ended 31 December 2021 (2020: approximately RMB1,319.4 million) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited for the clinker purchased under the Clinker Supply Framework Agreement, and shareholder loan due from an associate, China United Cement Xinan Wanji Co., Ltd which is indirectly held as to 49% by the Company.

Inventories

Inventories decreased from approximately RMB1,039.4 million for the year ended 31 December 2020 to approximately RMB850.7 million for the year ended 31 December 2021, primarily due to the decrease in the inventory amount during the year 2021.

Cash and cash equivalents

Cash and bank balance decreased from approximately RMB2,412.1 million for the year ended 31 December 2020 by RMB101.5 million or 4.2% to approximately RMB2,310.6 million for the year ended 31 December 2021, primarily due to the effect of cash from operation activities being outweighed by cash outflow from investing activities and financing activities.

Borrowings

As at 31 December 2021, the amount of total borrowings and debentures (including corporate bonds) of the Group decreased by approximately RMB559.8 million or 5.0%, from approximately RMB11,224.5 million in 2020 to approximately RMB10,664.7 million. Borrowings due within one year, guaranteed mid-term bills and other financial liabilities increased from approximately RMB7,779.9 million for the year ended 31 December 2020 to approximately RMB8,099.8 million for the year ended 31 December 2021; borrowings due after one year, guaranteed mid-term bills, long-term corporate bonds and other financial liabilities decreased from approximately RMB3,444.7 million for the year ended 31 December 2020 to approximately RMB2,564.9 million for the year ended 31 December 2021.

Principal sources of liquidity

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

MATERIAL ACQUISITIONS AND DISPOSALS

For the year ended 31 December 2021, the Group was not involved in any material investments, acquisitions or disposals.

GEARING RATIO

For the year ended 31 December 2021, the gearing ratio was approximately 50.8%, representing a decrease of 3.5 percentage points from approximately 54.3% for the year ended 31 December 2020. The change of gearing ratio was due to the increase in equity of the owners.

For the year ended 31 December 2021, the current ratio was approximately 1.3, representing an increase of 7.3% as compared to 1.2 for the year ended 31 December 2020, while the quick ratio was approximately 1.2, representing an increase of 9.0% as compared to 1.1 for the year ended 31 December 2020.

For the year ended 31 December 2021, the debt equity ratio was approximately 1.0, representing a decrease of 13.1% as compared to approximately 1.2 for the year ended 31 December 2020.

Notes:

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

2. Current ratio = current assets/current liabilities;

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

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

NET GEARING RATIO

As at 31 December 2021, the net gearing ratio was approximately 24.8%, representing a decrease of 10.3 percentage points from approximately 35.1% as at 31 December 2020. Net gearing ratio is calculated by dividing net debts by equity attributable to owners of the Company.

CAPITAL EXPENDITURE AND CAPITAL COMMITMENT

Capital expenditure for the year ended 31 December 2021 was approximately RMB547.8 million (2020: approximately RMB1,233.8 million) and capital commitments for the year ended 31 December 2021 was approximately RMB334.9 million (2020: approximately RMB295.4 million). Both the capital expenditure and capital commitments were mainly related to the construction of production facilities for cement and aggregate businesses and the acquisition of machinery, office equipment, investment in construction in progress and mining rights. The Group funded capital expenditure through cash generated from operations and bank and other borrowings.

PLEDGE OF ASSETS

As at 31 December 2021, carrying amount of the assets of the Group pledged to secure the bank borrowings granted to the Group amounted to approximately RMB4,259.1 million (2020: approximately RMB4,252.6 million).

FINANCIAL GUARANTEES

As at 31 December 2021, we have provided approximately RMB1,863.6 million (as at 31 December 2020: approximately RMB2,093.5 million) of authorized financial guarantees to related parties, among which approximately RMB1,182.7 million (as at 31 December 2020: approximately RMB1,386.4 million) have been utilized. We did not have other financial guarantees. The guarantees provided to the related parties have been provided pursuant to Tianrui Cement Guarantees (as defined in the circular of the Company dated 5 December 2019) according to the 2019 Framework Agreement in relation to provision of mutual guarantees (as defined in the circular of the Company dated 5 December 2019), the details of which are set out in the circular of the Company dated 5 December 2019.

SIGNIFICANT INVESTMENTS

During the year ended 31 December 2021, the Group did not hold any significant investment, make any significant investment nor acquire any capital assets.

MATERIAL LITIGATION

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

DETAILS OF IMPORTANT EVENTS AFFECTING THE GROUP WHICH HAVE OCCURRED SINCE THE END OF THE FINANCIAL YEAR UNDER REVIEW

The Company is not aware of any important events affecting the Group which have occurred since the end of the financial year under review.

MARKET RISKS

Interest rate risk

The Group is exposed to interest rate risk resulting from its long-term and short-term borrowings. The Group reviews its borrowings regularly to monitor its interest rate exposure, and will consider hedging significant interest rate exposure should the need arise. As the Group's exposure to interest rate risk relates primarily to its interest-bearing bank loans, our policy is to keep the borrowings at variable rates of interest so as to minimize fair value interest rate risk, and to manage the interest rate exposure in all of the interest-bearing loans through the use of a mix of fixed and variable rates.

Liquidity risk

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

Exchange rate risk

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

EMPLOYEES AND REMUNERATION POLICY

As at 31 December 2021, the Group had 7,353 employees (2020: 7,787). In 2021, the employees' cost (including remuneration) was approximately RMB567.4 million (2020: approximately RMB502.2 million). The remuneration policies, bonus and training programs for employees of the Group have been implemented continuously.

PROSPECTS

From the demand perspective, cement demand in 2022 is expected to be generally stable. In December 2021, the Political Bureau of the Communist Party of China Central Committee pointed out that the economic development in the coming year should be much focused on stability, and progress should be made within a reasonable range. Macroeconomic policies should be sound and effective, and a proactive fiscal policy and a prudent monetary policy should be continuously implemented. It is necessary to promote the construction of affordable housing, support the commercial housing market to better meet the reasonable housing needs of purchasers, and promote the healthy development and virtuous circle of the real estate industry. The Central Economic Work Conference suggested appropriate advance funding in infrastructure investments. From the policy perspective, real estate investment is expected to rebound, and infrastructure investment will be carried out in advance, and the efforts from local governments will be enhanced, which will support the total demand for cement.

From the supply-side perspective, the "carbon neutrality" policy will be continuously advanced, environmental protection management and control are expected to maintain a "continuous increase" status, and "alternative production arrangements" will still be normalized. Under the current energy shortage, power and production restrictions may still occur in certain regions. These factors will compress the supply of cement and other building materials products, partially are used to hedge excess capacity, and optimize the relationship between supply and demand. The government strictly prohibits and has restricted approval on new cement production capacity projects, and the production capacity replacement ratio has generally increased, thereby the production capacity structure of the cement industry is further optimized, and the relationship between supply and demand in the cement industry will be further optimized.

The industrial environment is favorable for cement enterprises to further extend the industrial chain. Stricter environmental protection policies are favorable for cement enterprises, especially large cement enterprises, to integrate mining resources. The further development of building aggregates such as stone and gravel, and the continuous improvement of the building environment are expected to be beneficial to the development of cement enterprises to other green building materials such as concrete and prefabricated construction.

Based on the basic situation of the cement industry, the Group adapts to the development trend of the cement industry in an active manner: (1) firmly adhering to the environmental protection policies with the industry, implementing "alternative production arrangements", continuing to improve the development environment of the industry, and to improve the relationship between supply and demand; (2) adhering to the "path of green development", continuing to improve and develop the construction of green factories and green mines, developing green building materials, extending the industrial chain, and increasing the growing profitable point; and (3) adhering to digital transformation and upgrade, continuing to improve and develop the construction of intelligent factories, and improving the level of management and control and production efficiency.

CORPORATE SOCIAL RESPONSIBILITY & ENVIRONMENTAL MATTERS

The Company regards the fulfillment of environmental and social responsibilities as one of the important strategies for the corporate development. As always, the Company assumes social responsibilities, protects the ecological environment and achieves sustainable development. The Company proactively responded to the national "carbon reduction" policy, earnestly implemented environmental protection policy and alternative production policy, promoted energy conservation, emission reduction and pollution prevention. The Company also proactively participated in the performance assessment on heavily polluted weather, and 18 branches and subsidiaries of the Company were granted rankings of A class, B class and performance leading enterprises, the Company also strengthened the ecological restoration of mines and greening of factories, and 13 mines and 9 factories received awards such as national and provincial green mines and green factories. Four branches and subsidiaries of the Company installed the coordinated waste disposal system for cement kiln, which can process 350,000 tonnes of solid waste and hazardous waste, thus to promote the project on coordinated disposal of waste and urban sludge for cement kiln. The Company also implemented the activities on quality enhancement, consumption reduction and efficiency enhancement continuously, two of its branches and subsidiaries were listed in the "performance leader" on meeting the standard on energy efficiency. Moreover, Company took the initiative to develop photovoltaic power generation projects. The Company adhered to the people-oriented principle protect and safeguard the health and rights of employees. In 2021, in face of the pandemic of novel coronavirus in Zhengzhou, Xuchang and other regions, the Company responded to it in an active manner, on one hand it implemented measures to safeguard the health of its employees both physically and psychologically, and on the other hand, the Company actively assisted in local epidemic prevention work. In 2021, Zhengzhou, Xinxiang and other regions were suddenly battered by "720 floods". The Group's subsidiaries in the region actively organized flood prevention and self-rescue to protect the lives and health of employees. At the same time, the Group organized manpower and other resources to cooperate with the local government and villagers in flood prevention and rescue work. For example, Tianrui Zhengzhou Company rescued more than ten villagers who were trapped in floods, and used machinery to repair roads. Weihui Company in Xinxiang organized flood prevention and rescue teams to help the local government and villagers repair the flood embankments, and several companies donated rocks and woven bags to block floods in a timely manner. These enterprises of the Group made their own contributions to the local flood prevention and disaster relief.

After the disaster, some of the severely affected areas urgently needed post-disaster reconstruction. Although the Group suffered losses in the floods, it still managed to organize a number of subsidiaries to donate cash, cement and other materials worth RMB20 million, with a view to supporting the local post-disaster work.

CORPORATE GOVERNANCE

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

For the period from 1 January 2021 to 31 December 2021, the Company has adopted the code provisions set out in the Corporate Governance Code (the "**Corporate Governance Code**") set out in the Appendix 14 to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**") as its own code on corporate governance practice. Save as disclosed in this section, the Company has been in compliance with all code provisions set out in the Corporate Governance Code throughout the year ended 31 December 2021.

According to code provision A.2.1 of the Corporate Governance Code, the roles of the chairman and chief executive should be separate and should not be performed by the same individual. The Company has not appointed a new chief executive officer since the resignation of the former chief executive officer of the Company on 1 December 2015. The Company has been identifying a new chief executive officer in an active manner since then. 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, and the chairman of the Board is not one of the members of the Executive Committee members, thus ensure that the authority is not vested in one single individual.

COMPLIANCE WITH THE MODEL CODE BY DIRECTORS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (the "**Model Code**") as set out in Appendix 10 to the Listing Rules as its code of conduct regarding directors' securities transactions. Directors are reminded of their obligations under the Model Code on a regular basis. Following specific enquiry with the Directors, all of them have confirmed that they have complied with the required standards as set out in the Model Code throughout the year ended 31 December 2021.

REVIEW OF CONSOLIDATED FINANCIAL STATEMENTS

The Company has established an audit committee with written terms of reference set out in the Corporate Governance Code. The principal duties of the audit committee include the review and supervision of the Group's financial reporting matters, risk management and internal control procedures. The audit committee comprises three independent non-executive Directors of the Company, namely Mr. Wang Ping, Mr. Kong Xiangzhong and Mr. Du Xiaotang. The audit committee under the Board of the Company has discussed and reviewed the consolidated financial statements of the Group for the year ended 31 December 2021 and this announcement with the management of the Company.

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

During the year ended 31 December 2021, neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities.

ANNUAL GENERAL MEETING

Notice of the annual general meeting of the Company will be published and dispatched to the Company's shareholders in the manner required by the Listing Rules in due course.

FINAL DIVIDEND

The Board did not propose the declaration of final dividend for the year ended 31 December 2021.

PUBLICATION OF ANNUAL RESULTS AND ANNUAL REPORT

This annual results announcement is published on the Company's website at www.trcement.com and on the website of The Stock Exchange of Hong Kong Limited at www.hkexnews.hk. The annual report for the year ended 31 December 2021 of the Company containing all the information required by the Listing Rules will also be dispatched to the shareholders of the Company and be published on the same websites in due course.

SCOPE OF WORK OF MESSRS. DELOITTE TOUCHE TOHMATSU

The figures in respect of the Group's consolidated statement of financial position, consolidated statement of profit or loss and other comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Messrs. Deloitte Touche Tohmatsu, to the amounts set out in the audited consolidated financial statements of the Group for the year. The work performed by Messrs. Deloitte Touche Tohmatsu in this respect did not constitute an assurance engagement and consequently no opinion or assurance conclusion has been expressed by Messrs. Deloitte Touche Tohmatsu on the preliminary announcement.

APPRECIATION

On behalf of the Directors, I would like to express my sincere gratitude to our shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

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

Ruzhou City, Henan Province, PRC, 22 March 2022

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