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

2019

INTERIM REPORT

Contents

Corporate Information

REGISTERED NAME OF THE COMPANY

China Tianrui Group Cement Company Limited

PLACE OF LISTING

The Stock Exchange of Hong Kong Limited

STOCK CODE

01252

CHAIRMAN AND NON-EXECUTIVE DIRECTOR

Mr. Li Liufa ("Chairman Li")

EXECUTIVE DIRECTORS

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

INDEPENDENT NON-EXECUTIVE DIRECTORS

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

AUDIT COMMITTEE

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

NOMINATION COMMITTEE

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

REMUNERATION COMMITTEE

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

PRINCIPAL BANKERS

Bank of China, Henan Branch
Industrial and Commercial Bank of China, Henan Branch
China Construction Bank, Henan Branch
Everbright Bank, Zhengzhou Branch
Huaxia Bank, Zhengzhou Branch
Bohai Bank
Shanghai Pudong Development Bank, Zhengzhou Branch

REGISTERED OFFICE

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

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN THE PRC

Guangcheng Road East No. 63
Ruzhou City
Henan Province
PRC

Corporate Information

PLACE OF BUSINESS IN HONG KONG

Room 2005A, 20/F
Tower 2, Lippo Centre
89 Queensway
Admiralty, Hong Kong

COMPANY WEBSITE

http://www.trcement.com

JOINT COMPANY SECRETARIES

Mr. Li Jiangming
Ms. Ng Ching Mei

AUTHORIZED REPRESENTATIVES

Mr. Li Jiangming
Ms. Ng Ching Mei

CAYMAN ISLANDS SHARE REGISTRAR AND SHARE TRANSFER AGENT

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

AUDITORS

Deloitte Touche Tohmatsu
35th Floor, One Pacific Place
88 Queensway
Hong Kong

LEGAL ADVISERS

As to Hong Kong law

Sidley Austin
Level 39
Two International Finance Centre
Central
Hong Kong

As to PRC law

DeHeng Law Offices
12/F Tower B
Focus Place
19 Finance Street
Xicheng District
Beijing
PRC

HONG KONG SHARE REGISTRAR

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

Financial Highlights

	For the six months ended 30 June 2019 RMB'000	2018 RMB'000	Percentage of Change
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 RMB'000	As at 31 December 2018 RMB'000	Percentage of Change
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%

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.

Management Discussion and Analysis

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 decreased 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.

Management Discussion and Analysis

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 first half of 2019, 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.

Management Discussion and Analysis

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.

Management Discussion and Analysis

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 were 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.

Management Discussion and Analysis

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 from a complex international situation, investments in fixed assets, infrastructure and real estate development, greater support from the government is 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.

Disclosure of Interests

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

As at 30 June 2019, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (the "SFO")), as recorded in the register required to be kept by the Company pursuant to Section 352 of the SFO, or as otherwise notified to the Company and The Stock Exchange of Hong Kong Limited (the "Stock Exchange") pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 of the Rules Governing the Listing of Securities on the Stock Exchange (the "Listing Rules"), were as follows:

Name of Director	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa(1)	Interest of corporation controlled by the director/Long position	1,986,984,822(2)	67.62
Ms. Li Fengluan(1)	Interest of corporation controlled by the director/Long position	1,986,984,822(2)	67.62

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

(2) As at 30 June 2019, Yu Kuo pledged its 859,247,000 shares (approximately 29.24% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.

Save as disclosed above, as at 30 June 2019, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

Disclosure of Interests

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

As at 30 June 2019, to the best knowledge of the Directors and the senior management of the Company, the persons who had interests or short positions in the Shares and underlying Shares as recorded in the register required to be kept by the Company pursuant to Section 336 of Part XV of the SFO were as follows:

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position(1)	1,986,984,822(2)	67.62
Tianrui Group	Interest of corporation controlled by the substantial shareholder/Long position(1)	1,986,984,822(2)	67.62
Tianrui International	Interest of corporation controlled by the substantial shareholder/Long position(1)	1,986,984,822(2)	67.62
Holy Eagle	Interest of corporation controlled by the substantial shareholder/Long position(1)	1,986,984,822(2)	67.62
Yu Qi	Interest of corporation controlled by the substantial shareholder/Long position(1)	1,986,984,822(2)	67.62
Mr. Li Liufa	Interest of corporation controlled by the director/Long position(1)	1,986,984,822(2)	67.62
Ms. Li Fengluan	Interest of corporation controlled by the director/Long position(1)	1,986,984,822(2)	67.62
The Export-Import Bank of China	Party with security interest over the shares/ Long position(2)	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/ Long position(2)	315,000,000	10.72
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/ Long position	420,747,000	14.32

Disclosure of Interests

Name	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
China Huarong International Holdings Limited	Interest of controlled corporation/ Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/ Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/ Long position	300,000,000	10.21
Haitong International Investment Solutions Limited	Party with security interest over the shares/ Long position	167,000,000	5.68
Haitong International Holdings Limited	Interest of controlled corporation/ Long position	167,000,000	5.68
Haitong International Securities Group Limited	Interest of controlled corporation/ Long position	167,000,000	5.68
Haitong Securities Co., Limited	Interest of controlled corporation/ Long position	167,000,000	5.68
Henan Jiuding Financial Leasing Co., Ltd	Party with security interest over the shares/ Long position	200,000,000	6.81

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

(2) As at 30 June 2019, Yu Kuo pledged its 859,247,000 shares (approximately 29.24% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans for its own.

Saved as disclosed above, as at 30 June 2019, no other person had any interest or short position which shall be recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO.

DIRECTORS' RIGHTS TO ACQUIRE SHARES OR DEBENTURES

At no time during the six months ended 30 June 2019 was the Company or any of its subsidiaries a party to any arrangement that would enable the Directors to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate, and none of the Directors or any of their spouses or children under the age of 18 were granted any right to subscribe for the equity or debt securities of the Company or any other body corporate or had exercised any such right.

DIRECTORS' INTERESTS IN CONTRACTS OF SIGNIFICANCE

During the period ended 30 June 2019, save as disclosed in the sections under "Directors' Interests in Competing Businesses" and "Continuing Connected Transactions and Connected Transactions", no contract of significance in relation to the Group's business to which the Company, or any of its subsidiaries or fellow subsidiaries was a party, and in which a Director of the Company had a material interest, whether directly or indirectly subsisted at the closing or any time during the period.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

During the period ended 30 June 2019, save as (1) disclosed by the prospectus regarding the indirect shareholding of Chairman Li at Ruiping Shilong Cement Company Limited ("Ruiping Shilong") for its engaging in the businesses of clinker production and sales in certain regions of Henan province; and (2) the indirect equity interests held by Chairman Li at China Shanshui Cement Group Limited ("Shanshui Cement"), which is listed on The Stock Exchange of Hong Kong Limited with the stock code as 691.HK and engages in the clinker and cement production in the PRC, none of the Directors or Controlling Shareholders (as defined in the Listing Rules) was interested in any business which competes or is likely to compete (directly or indirectly) with the business of the Group. The acquisitions of the equity interests at Shanshui Cement had been approved in accordance with the Amended Non-competition Deed (for details please refer to the circular dated 31 October 2014 and approved on the Company's extraordinary general meeting held on 17 November 2014).

SHARE OPTION SCHEME

The Company has adopted a share option scheme (the "Share Option Scheme") on 12 December 2011 (the "Adoption Date"). The total number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other schemes adopted shall not exceed 3%, which is 72,027,000 shares (the "Scheme Mandate Limit") of the issued shares of the Company (or its subsidiaries) as at the Listing Date, whereas it had not exceeded 3% of the issued shares of the Company on 30 June 2018. The purpose of such scheme is to provide person(s) and parties working for the interests of the Group with an opportunity to obtain an equity interest in our Company, thus linking their interests with the interests of our Group and thereby providing them with an incentive to work better for the interests of our Group. According to the Share Option Scheme, the Directors may at their absolute discretion invite all Directors, any employee (whether full-time or part-time), any consultant or adviser of or to our Company or our Group (whether on an employment or contractual or honorary basis and whether paid or unpaid), who, in the discretionary consideration by the Board, have contributed to our Company or our Group to participate in the Share Option Scheme of the ordinary shares of the Company. Offers of the grant of the Options shall be made to the Eligible Person by the Company in written form (as may be determined by the Board from time to time). The Eligible Person may accept the offer within 21 days from the date of offer (or such other period as may be determined by the Board). When the duplicate letter comprising acceptance of the Option is duly signed by the Eligible Person, it should be submitted together with the remittance of HK$1 in favor of our Company (as a consideration for the grant irrespective of the number of Shares in respect of which the Option is accepted) and hence the offer shall be deemed as accepted. The subscription price in respect of any particular Option (the "Subscription Price") shall be such price as the Board may at its absolute discretion determine at the time of the grant of the relevant Option, but in any case the Subscription Price must be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the Date of Grant, which must be a business day; (ii) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Date of Grant; and (iii) the nominal value of a Share. The period within which the options must be exercised shall be determined by the Directors at the time of grant and such period must expire no later than 10 years from the date the offer has been made to the grantees (the "Option Period"). All outstanding options shall lapse when the Option Period expires, the employment of the holder ceases or where the holder is no longer a member of the Group. Where there are options to be granted and yet to be exercised, the maximum number of shares which may be issued upon exercise of all options to be granted under the Share Option Scheme or any other share option schemes adopted by the Company shall not exceed 30% (the "Overall Upper Limit of the Scheme") of the shares in issue from time to time. The total number of Shares issued and to be issued upon exercise of the Options, in any 12-month period, granted under the Share Option Scheme or any other share option schemes adopted by the Company to such Eligible Person must not exceed 1% of the Shares in issue at such time. In case of the further grant of the Option leading to the number of shares exceeding 1%, approvals from the shareholders must be obtained, whereas the relevant participants and their associates must be abstained from voting.

Since the Adoption Date and as at 30 June 2019, the Company had not been under any circumstances of granting any share options under the Share Option Scheme or 3% of the shares in issue of the total number of shares to be issued in the Scheme.

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.

PLEDGE OF SHARES BY CONTROLLING SHAREHOLDER

Yu Kuo has pledged an aggregate of 859,247,000 shares of the Company, represented approximately 29.24% of the issued share capital of the Company as at the date of the interim report.

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.

INFORMATION RELATED TO CHANGES OF DIRECTORS

Pursuant to the Rule 13.51B of the Listing Rules, there is no change of information of Directors during the first half of 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.

CONTINUING CONNECTED TRANSACTIONS AND CONNECTED TRANSACTIONS

For the six months ended 30 June 2019 and as at the date of this report, the Group has entered into and been involved in the following connected transactions or continuing connected transactions (as defined under the Listing Rules).

(a) Purchase of Clinker and Sale of Limestone

Reference is made to the Company's announcement dated 18 December 2017 which contains details of the transactions disclosed herein. Unless stated otherwise, capitalized terms used in this paragraph (a) shall have the same meanings as those used in the announcement referred to above.

Corporate Governance and Other Important Information

On 1 April 2019, Tianrui Cement Group Company Limited ("Tianrui Cement"), a wholly-owned subsidiary of the Company, and Pingdingshan Ruiping Shilong Cement Company Limited ("Ruiping Shilong") entered into the clinker supply framework agreement (the "Clinker Supply Framework Agreement") for a term from 1 April 2019 to 31 December 2021 in order to replace the Supplemental Clinker Supply Framework Agreement as it will expire on 31 December 2019 and the expected actual transaction amount may exceed the proposed annual maximum amount thereunder.

Since Chairman Li and Ms. Li Fengluan ("Ms. Li") indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the Clinker Supply framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Annual Caps under the Clinker Supply Framework Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the transactions contemplated under the Clinker Supply Framework Agreement are subject to the annual review, reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

Pursuant to the Clinker Supply Framework Agreement, the aggregate annual caps of the transactions under the agreement are RMB500 million, RMB500 million and RMB500 million for each of the three years ending on 31 December 2019, 2020 and 2021 respectively.

For the six months ended 30 June 2019, Tianrui Cement purchased clinker from Ruiping Shilong with transaction value of approximately RMB273.5 million.

(b) Mutual Guarantees

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

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

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

As of 30 June 2019, according to the Framework Agreement and as approved by a special committee, the Company (including its subsidiaries) had currently accumulated guarantees of approximately RMB1.28 billion as undertaken to Tianrui Group (including its subsidiaries), while Tianrui Group (including its subsidiaries) had currently accumulated guarantees of approximately RMB2.40 billion as undertaken to the Company (including its subsidiaries).

(c) **Deposit and financial services**

Refence is made to the announcement of the Company dated 12 December 2017 regarding the details of the transaction mentioned in this paragraph. Unless otherwise stated, meaning of the terms used in paragraph (c) shall have the same meaning used in the announcement aforementioned.

On 6 October 2017, Tianrui Cement, a wholly owned subsidiary of the Company, and Tianrui Group Finance Company Limited ("Tianrui Finance", Chairman Li controls over 30% of voting rights at the general meeting of the company) entered into the Deposit and Financial Services Agreement. The transactions under the Deposit and Financial Services Agreement constitute continuing connected transactions under Hong Kong Listing Rules.

Pursuant to the Deposit and Financial Services Agreement: 1) the annual caps of the Tinrui Cement's deposits in Tianrui Finance were RMB700,000,000, RMB1,000,000,000 and RMB1,000,000,000 for the three years ended 31 December 2017, 2018 and 2019, respectively; 2) the annual caps of the credit services provided by Tianrui Finance to Tianrui Cement were RMB1,500,000,000, RMB2,000,000,000 and RMB2,500,000,000 for the three years ended 31 December 2017, 2018 and 2019, respectively; 3) Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for Tianrui Cement and its subsidiaries for free. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and control the risk of assets and liabilities; 4) If Tianrui Finance provides any other financial services as approved by China Banking Regulatory Commission to Tianrui Cement and its subsidiaries, Tianrui Finance and Tianrui Cement will enter into a separate agreement, in accordance with the Financial Services Agreement and the requirements of the Listing Rules. The fees so charged shall not be higher than the rates for the same type of services of the same period offered by any financial institutions for the same type of services in PRC.

As of 30 June 2019, the amount of Tianrui Cement's deposits placed with Tianrui Finance was RMB843.6 million, while the balance of unsecured loans provided by Tianrui Finance to Tianrui Cement was RMB900.0 million.

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.

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2019

	Notes	For the six months ended 30 June 2019 RMB'000 (unaudited)	2018 RMB'000 (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

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
NON-CURRENT ASSETS			
Property, plant and equipment	13	**11,262,514**	11,295,763
Deposits and prepayments	14	**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	17	**501,541**	261,702
		16,238,121	16,253,029
CURRENT ASSETS			
Inventories		**1,309,794**	874,873
Trade and other receivables	15	**4,400,020**	4,423,920
Amounts due from associates	17	**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	16	**3,408,813**	3,301,474
Cash and bank balances	18	**817,114**	711,797
		12,095,831	12,300,677
CURRENT LIABILITIES			
Trade and other payables	19	**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	20	**900,000**	900,000
Long-term corporate bonds — due within one year	21	**109,199**	106,056
Borrowings — due within one year	20	**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)

Condensed Consolidated Statement of Financial Position

As at 30 June 2019

	Notes	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
TOTAL ASSETS LESS CURRENT LIABILITIES		17,106,210	15,982,045
CAPITAL AND RESERVES			
Share capital	22	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	20	—	100,000
Borrowings — due after one year	20	2,587,032	2,318,866
Long-term corporate bonds	21	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

Condensed Consolidated Statement of Changes in Equity

For the six months ended 30 June 2019

	Attributable to owners of the Company									
	Issued capital RMB'000	Share premium RMB'000	Capital reserve RMB'000 (Note i)	Statutory reserve fund RMB'000 (Note ii)	Other reserve RMB'000 (Note iii)	Revaluation reserve RMB'000 (Note iv)	Retained earnings RMB'000	Total RMB'000	Non-controlling interest RMB'000	Total equity RMB'000
At 1 January 2018	24,183	1,066,648	789,990	905,211	1,033,949	31,768	5,954,138	9,805,887	114,321	9,920,208
Profit for the period and total comprehensive income	—	—	—	—	—	—	1,212,547	1,212,547	39,263	1,251,810
Appropriation of statutory reserve	—	—	—	167,466	—	—	(167,466)	—	—	—
Financial guarantee to related parties	—	—	—	—	(760)	—	—	(760)	—	(760)
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	(92,138)	(92,138)
At 31 December 2018	24,183	1,066,648	789,990	1,072,677	1,033,189	31,768	6,999,219	11,017,674	61,446	11,079,120
Profit for the period and total comprehensive income	—	—	—	—	—	—	**887,005**	**887,005**	**39,298**	**926,303**
Dividend to non-controlling interests	—	—	—	—	—	—	—	—	**(40,000)**	**(40,000)**
At 30 June 2019	**24,183**	**1,066,648**	**789,990**	**1,072,677**	**1,033,189**	**31,768**	**7,886,224**	**11,904,679**	**60,744**	**11,965,423**

Notes:

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

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

iii. Other reserves comprise the following:

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

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

(3) Fair value of financial guarantee contracts at initial recognition provided to Tianrui Group and its subsidiaries debited to other reserves totaling RMB44,572,000 up to 31 December 2018 (2017: RMB43,812,000); and

(4) The difference between the consideration of the acquisitions of non-controlling interests and the carrying amounts of non-controlling interests and relevant reserves totaling RMB16,906,000 credited to other reserves up to 31 December 2018 (2017: RMB16,906,000).

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

Condensed Consolidated Statement of Cash Flows

For the six months ended 30 June 2019

	Six months ended 30 June	
	2019	2018
	RMB'000	RMB'000
	(unaudited)	(unaudited)
Net cash generated from operating activities	**1,113,417**	1,288,834
Investing activities		
Interest received	**30,369**	33,838
Addition of property, plant and equipment	**(199,323)**	(65,657)
Increase in prepaid lease payments	**—**	8,280
Proceeds from disposal of property, plant and equipment	**17,496**	16,571
Acquisition of mining rights	**(25,624)**	—
Changes of deposits paid for acquisition of business, property, plant and equipment and prepaid lease payments	**289,019**	200,875
Decrease in restricted pledged bank balances	**1,292,182**	—
Increase in restricted pledged bank balances	**(107,339)**	(275,162)
Net cash (used in) from investing activities	**1,296,780**	(81,255)
Financing activities		
Interest paid	**(563,174)**	(571,667)
Dividend paid	**(67,047)**	—
Repayment of borrowings	**(4,105,709)**	(3,609,245)
New borrowings raised	**3,431,050**	3,615,000
Repayment of loan from an associate	**(1,000,000)**	—
Repayment of short-term debenture	**—**	(500,000)
Net cash used in financing activities	**(2,304,880)**	(1,065,912)
Increase in cash and cash equivalents	**105,317**	141,667
Cash and cash equivalents at beginning of year	**711,797**	830,744
Cash and cash equivalents at end of the year represented by cash and bank balances	**817,114**	972,411

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

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 company 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 by the Group 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 value.

Other than changes in accounting policies resulting from 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 presented in the Group's annual financial statements for the year ended 31 December 2018.

Application of new and amendments to IFRSs

In the current interim period, the Group has applied, for the first time, the following new and amendments to IFRSs issued by the IASB which are mandatory effective for the annual period beginning on or after 1 January 2019 for the preparation of the Group's condensed 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.

3.1 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 the related interpretations.

3.1.1 Key changes in accounting policies resulting from application of IFRS 16

The Group applied the following accounting policies in accordance with the transition provisions of IFRS16.

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee

Allocation of consideration to components of a contract

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

As a practical expedient, leases with similar characteristics are accounted on a portfolio basis when the Group reasonably expects that the effects on the financial statements would not differ materially from individual leases within the portfolio.

Non-lease components are separated from lease components on the basis of their relative stand-alone price.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of restaurants that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognises right-of-use assets at the commencement date of the lease (i.e. the date that the underlying asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Right-of-use assets — continued

- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease.

Right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under IFRS 9 Financial Instruments ("IFRS 9") and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Lease liabilities

At the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate; and
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate.

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Lease liabilities — continued

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the actual situation of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

Taxation

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.1 Key changes in accounting policies resulting from application of IFRS 16 — continued

As a lessee — continued

Taxation — continued

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 Income Taxes requirements to right-of-use assets and lease liabilities respectively. Since initial recognition exemption is applied, temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities resulting in net deductible temporary differences.

3.1.2 Transition and summary of effects arising from initial application of IFRS 16

Definition of a lease

The Group has elected the practical expedient to apply IFRS 16 to contracts that were previously identified as leases applying IAS 17 and IFRIC 4 Determining whether an Arrangement contains a Lease and not apply this standard to contracts that were not previously identified as containing a lease. Therefore, the Group has not reassessed contracts which already existed prior to the date of initial application.

For contracts entered into or modified on or after 1 January 2019, the Group applies the definition of a lease in accordance with the requirements set out in IFRS 16 in assessing whether a contract contains a lease.

As a lessee

The Group has applied IFRS 16 retrospectively with the cumulative effect recognised at the date of initial application, 1 January 2019. Any difference at the date of initial application is recognised in the opening retained profits and comparative information has not been restated.

When applying the modified retrospective approach under IFRS 16 at transition, the Group applied the following practical expedients to leases previously classified as operating leases under IAS 17, on lease-by-lease basis, to the extent relevant to the respective lease contracts:

i relied on the assessment of whether leases are onerous by applying IAS 37 Provisions, Contingent Liabilities and Contingent Assets as an alternative of impairment review;

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 — continued

As a lessee — continued

ii elected not to recognise right-of-use assets and lease liabilities for leases with lease term ends within 12 months of the date of initial application;

iii excluded initial direct costs from measuring the right-of-use assets at the date of initial application;

iv applied a single discount rate to a portfolio of leases with a similar remaining terms for similar class of underlying assets in similar economic environment. In particular, discount rate for certain leases of restaurants in the People's Republic of China was determined on a portfolio basis; and

v used hindsight based on facts and circumstances as at date of initial application in determining the lease term for the Group's leases with extension and termination options.

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

As at January 1, 2019, the Group recognised additional lease liabilities and right-of-use assets at amounts equal to the related lease liabilities adjusted by any prepaid or accrued lease payments by applying IFRS 16.C8(b)(ii) transition provisions.

The Group recognised lease liabilities of RMB44,014,000 and right-of-use assets of RMB916,332,000 as 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%.

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 — continued

As a lessee — continued

	At January 1, 2019 RMB'000
Operating lease commitments disclosed as at 31 December 2018	54,928
Lease liabilities discounted at relevant incremental borrowing rates	47,689
Less: Recognition exemption — short-term leases	3,675
Lease liabilities relating to operating leases recognized upon application of IFRS 16	44,014
Lease liabilities 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 January 1, 2019 comprises the following:

	Note	**Right-of use assets** RMB'000
Right-of-use assets relating to operating leases recognised upon application of IFRS 16		44,014
Reclassified from prepaid lease payments	(a)	849,343
Reclassified from trade and other receivables	(a)	22,975
		916,332

Note:

(a) Upfront payments for leasehold lands in the PRC were classified as prepaid lease payments as at 31 December 2018. Upon application of IFRS 16, the current and non-current portion of prepaid lease payments amounting to RMB22,975,000 and RMB849,343,000 respectively were reclassified to right-of-use assets.

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

3. PRINCIPAL ACCOUNTING POLICIES — continued

3.1 Impacts and changes in accounting policies of application on IFRS 16 Leases — continued

3.1.2 Transition and summary of effects arising from initial application of IFRS 16 — continued

As a lessee — continued

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 RMB'000	Adjustments RMB'000	**Carrying amounts under IFRS 16 at 1 January 2019 RMB'000**
Non-current Assets			
Prepaid lease payment	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:

For the purpose of reporting cash flows from operating activities under indirect method for the six months ended 30 June 2019, movements in working capital have been computed based on opening statement of financial position as at 1 January 2019 as disclosed above.

Determination on discount rates of lease contracts

The Group applies incremental borrowing rates as the discount rates of lease liabilities, which require financing spread adjustments and lease specific adjustments based on the relevant market rates. The assessments of whether the Group is reasonably determine the adjustments affect the discount rates, which significantly affect the amount of lease liabilities and right-of-use assets.

4. REVENUE

Disaggregation of revenue from contracts with customers:

	For the six months ended 30 June 2019 RMB'000 (unaudited)	For the six months ended 30 June 2018 RMB'000 (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. MOVEMENTS IN PROPERTY, PLANT AND EQUIPMENT

During the current interim period, the Group disposed of certain plant and machinery with an aggregate carrying amount of RMB8,037,000 (for the six months ended 30 June 2018: RMB11,479,000) for cash proceeds of RMB17,496,000 (for the six months ended 30 June 2018: RMB16,571,000), resulting in a gain on disposal of RMB9,459,000 (for the six months ended 30 June 2018: RMB5,092,000).

As at 30 June 2019, the carrying amount of buildings, whose certificates of ownership were still being applied, was approximately RMB585,482,000 (31 December 2018: RMB602,376,000).

14. DEPOSITS AND ADVANCES

As at 30 June 2019 and 31 December 2018, the amounts represent deposits and advances paid for acquisition of business, and acquisition of property, plant and equipment and land use rights.

15. TRADE AND OTHER RECEIVABLES

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Trade receivables	**873,357**	306,718
Less: allowance for credit 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

15. TRADE AND OTHER RECEIVABLES — continued

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

	As at 30 June 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

16. PLEDGED BANK BALANCES

Pledged bank balances represent deposits pledged to banks as at 30 June 2019 for (i) securing bank borrowings granted to the Group amounting to RMB612,117,000, and (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,796,696,000.

Pledged bank balances represent deposits pledged to banks as at 31 December 2018 for (i) securing bank borrowings granted to the Group amounting to RMB579,886,000, (ii) issuing trade facilities such as bills payables and bank guarantee amounting to RMB2,721,588,000 and (iii) the deposits pledged to banks for the maintenance of limestone mines amounting to RMB87,147,000.

The restricted bank balances carried interest at market rates of 0.3% to 2.1% per annum as at 30 June 2019 (31 December 2018: 0.3% to 2.1% per annum).

17. AMOUNTS DUE FROM A RELATED PARTY

The amounts due from an associate of approximately RMB1,910,111,000 as at 31 December 2019 (2018: approximately RMB1,206,613,000) represents the advance payment paid to Pingdingshan Ruiping Shilong Cement Company Limited ("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").

Notes to Condensed Consolidated Financial Statements

For the six months ended 30 June 2019

18. CASH AND BANK BALANCES

The amounts represent cash and bank balances held by the Group. As at 30 June 2019, bank balances carried interest at market rates of 0.3% and 1.5% per annum (31 December 2018: 0.3% and 1.5% per annum).

19. 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

20. BORROWINGS

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Bank borrowings:		
— fixed-rate	**2,315,427**	2,887,497
— variable-rate	**1,216,924**	1,046,186
Other non-banking financial institution borrowings:		
— fixed-rate	**3,541,584**	2,473,848
	7,073,935	6,407,531
Bank borrowings relating to bills discounted with recourse	**258,221**	758,941
	7,332,156	7,166,472
Secured	**3,585,153**	4,529,317
Unsecured	**3,747,003**	2,637,155
	7,332,156	7,166,472

20. BORROWINGS — continued

The borrowings are repayable as follows:

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Within one year	4,745,124	4,847,606
More than one year, but not exceeding two years	2,059,236	1,644,904
More than two years, but not exceeding five years	527,796	673,962
	7,332,156	7,166,472
Less: amount due within one year shown under current liabilities	(4,745,124)	(4,847,606)
Amount due after one year	2,587,032	2,318,866

During the current interim period, the Group obtained new bank loans amounting to RMB3,431,050,000 (30 June 2018: RMB3,615,000,000). The loans carried interest at market rates of 3.33% to 14.40% (31 December 2018: 4.4% to 14.4%). The Directors consider that the carrying amounts of the borrowings recognized in the condensed consolidated financial statements approximate to their fair values.

21. LONG-TERM CORPORATE BONDS

	As at 30 June 2019 RMB'000 (unaudited)	As at 31 December 2018 RMB'000 (audited)
Long-term corporate bonds	2,290,799	2,227,999
Less: Amounts due within one year	(109,199)	(106,056)
Amounts due after one year	2,181,600	2,121,943

21. LONG-TERM CORPORATE BONDS — continued

Notes:

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

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

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

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

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

22. ISSUED CAPITAL

The Company

	Number of shares	Share capital HK$'000	RMB'000
Ordinary share of HK$0.01 each:			
Authorised			
On incorporation	38,000,000	380	316
Additions (Note d)	9,962,000,000	99,620	80,754
At 31 December 2013 and 30 June 2015	10,000,000,000	100,000	81,070
Issued			
On incorporation (Note a)	1	—	—
Issued on 21 February and 2 April 2011 (Note b)	474,999	5	4
Issued on 2 April 2011 (Note c)	525,000	5	4
As at 30 June 2011	1,000,000	10	8
Issued on 23 December 2011 (Note e)	1,999,000,000	19,990	16,240
Issued on 23 December 2011 (Note f)	400,900,000	4,009	3,257
As at 31 December 2016	2,400,900,000	24,009	19,505
Issued on 6 June 2017 (Note g)	537,381,647	5,374	4,678
As at 31 December 2017	2,938,281,647	29,383	24,183
As at 30 June 2019	2,938,281,647	29,383	24,183

22. ISSUED CAPITAL — continued

Notes:

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

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

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

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

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

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

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

23. PLEDGE OF ASSETS

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

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Property, plant and equipment	**2,503,441**	2,736,126
Prepaid lease payments	**383,555**	504,988
Mining rights	**52,855**	58,772
Restricted bank balances	**1,319,934**	579,886
	4,259,785	3,879,772

24. CAPITAL COMMITMENTS

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Capital expenditure of the Group in respect of acquisition of property, plant and equipment — contracted for but not provided in the condensed consolidated financial statements	**419,223**	399,278

25. RELATED PARTY DISCLOSURES

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

Nature of transaction	Name of related company	Note	Six months ended 30 June 2019 RMB'000 (unaudited)	Six months ended 30 June 2018 RMB'000 (unaudited)
Purchase of goods	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司)	i	**273,461**	157,210
			273,461	157,210
Office rental expenses	Tianrui Group Company Limited (天瑞集團有限公司)		**900**	900

Note:

i. An associate of the Group.

26. CONTINGENT LIABILITIES

	At 30 June 2019 RMB'000 (unaudited)	At 31 December 2018 RMB'000 (audited)
Guarantees provided in respect of banking facilities granted to:		
Related parties	**1,275,793**	1,275,770
	1,275,793	1,275,770

As at 30 June 2019, the financial guarantee given to banks in respect of bank facilities utilised by Tianrui Group and its subsidiaries, Tianrui Foundry and Tianrui Travel, amounted to a total of RMB1,275,793,000 (31 December 2018: RMB1,275,770,000). The management considers the risk of the contingent liabilities and recognised financial guarantee liabilities of RMB16,779,000 (31 December 2018: RMB18,643,000) in the consolidated financial statement.