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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)

**(1) SECOND SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO
DELAY IN PUBLICATION OF 2024 INTERIM RESULTS; AND
(2) CONTINUED SUSPENSION OF TRADING**

References are made to the following announcements of the Company (collectively, the “**Announcements**”) in relation to the delay in publication of the 2024 Interim Results: (a) the announcements dated 30 August 2024, 1 September 2024, 4 September 2024 and 15 September 2024; and (b) the Supplemental Announcement of the Company dated 30 September 2024 (the “**Supplemental Announcement**”). Capitalised terms used herein, unless otherwise defined, shall have the same meanings as those defined in the Announcements and the Supplemental Announcement.

This announcement is made by China Tianrui Group Cement Company Limited (the “**Company**”, together with its subsidiaries, the “**Group**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities (the “**Listing Rules**”) on The Stock Exchange of Hong Kong Limited (the “**Stock Exchange**”) to supplement the Supplemental Announcement. In case of any discrepancy between (1) the Announcements and the Supplemental Announcement, and (2) this announcement, the information in this announcement shall prevail.

The Associated Company states that its public financial information is “pre-audited data”

In relation to the Public Financial Information of Associated Company referred to in the Supplemental Announcement, according to the official reply from the Associated Company received by the Group on 9 September 2024, the Associated Company states that its public financial information is the “pre-audited data” of a certain accounting firm, and the official audit report has not yet been issued.

To date, the Associated Company has failed to provide the financial report corresponding to the public financial information, the information about the identity of the accounting firm, and the approval documents on how such public financial information was published online (the “**Relevant Documents of Public Financial Information**”).

Financial Data Differences

In relation to the following paragraph on page 2 of the Supplemental Announcement:

The Company noted the material differences between the Public Financial Information of Associated Company and the Unconfirmed 2024H1 Financial Information as well as the Confirmed 2024H1 Financial Information. In particular, the Confirmed 2024H1 Financial Information stated the loss of approximately RMB43.5 million, the Unconfirmed 2024H1 Financial Information stated the loss of approximately RMB40.6 million, while the Public Financial Information of Associated Company stated the loss of approximately RMB8.1 million.

The Group noted that the differences referred to in the above paragraph (“**Financial Data Differences**”) indicate that: (i) the loss for the first six months of 2024 according to the Unconfirmed 2024H1 Financial Information (approximately RMB40.6 million) being approximately five times the published loss for the first five months of 2024 (approximately RMB8.1 million); and (ii) the loss for the first six months of 2024 according to the Confirmed 2024H1 Financial Information (approximately RMB43.5 million) being approximately 5.4 times the published loss for the first five months of 2024 (approximately RMB8.1 million).

Explanation of Data Difference

In relation to the following paragraph on page 2 of the Supplemental Announcement:

*On 9 September 2024, the Company received the official reply from the Associated Company, in which it provided the incomplete financial information for the first half of 2024 of the Associated Company (without the contents of notes) (the “**Confirmed 2024H1 Financial Information**”), and provided explanation for difference in data between the Public Financial Information of Associated Company and the Unconfirmed 2024H1 Financial Information, but it did not provide the relevant supporting documents for such explanation of difference, and also did not confirm whether the aforesaid two sets of financial information are prepared based on the uniform measure and accounting adjustments. Meanwhile, the Associated Company in its reply indicated that it, for the time being, would not accommodate Tianrui Cement’s Special Audit Work on the Associated Company.*

According to the official reply from the Associated Company received by the Group on 9 September 2024 and 25 September 2024:

The Associated Company's explanation of data difference between the loss of RMB43.5 million for the first half of 2024 in the Confirmed 2024H1 Financial Information and the loss of RMB8.1 million for the five months ended 31 May 2024 stated in the Published Financial Information of Associated Company ("**Explanation of Data Difference**") is that the Published Financial Information of Associated Company is based on preliminary audit figures while formal audit report has not been issued yet; and approximately RMB8.97 million of loss incurred in June 2024, approximately RMB45.85 million of compensation for losses on payments were included in non-operating income; approximately RMB7.56 million of bad debt reserves were made for prepaid accounts for mining mountain pre-payment, approximately RMB0.95 million of bad debt provision and tax expenses, and approximately RMB 12.76 million of deferred income tax assets were reversed.

The Associated Company refused to accommodate the Special Audit Work because the Associated Company believed that the Group had no right to hire an intermediary agency to conduct a special audit on the Associated Company without the consent of the shareholders' meeting.

Why the Company remains of the view that the Associated Company has yet to provide reasonable explanation for the Financial Data Differences

Further to the official reply from the Associated Company received by the Group on 9 September 2024, the Group responded on 13 September 2024 and made further requests, mainly including: (1) the Associated Company should only have one set of financial data and financial statements, whether the financial statements corresponding to the online financial information as of 31 May 2024 exist, (2) whether the adjustments applicable to the data for the first five months of 2024 affect the financial statements as of June 2024, and (3) provide supporting documents for the account adjustments. (4) In view of the requirements of the "Regulations on the Supervision and Administration of Enterprise State-owned Assets Transactions" regarding the authenticity, completeness and accuracy of the disclosure content and the materials provided, the Associated Company should confirm whether it is aware that the public financial information should satisfy the requirements; (5) According to the articles of association of the Associated Company, shareholders have the right to understand the operating and financial status of the company and to supervise the company's operations, administrative management and financial management in accordance with the law. Therefore, the Group requires the Associated Company to cooperate with the Special Audit Work of the accountants and the valuer appointed by the Group. (6) If the Special Audit Work cannot be carried out, the Group proposes that the Associated Company and its shareholders hold a communication meeting.

On 25 September 2024, the Group received an official reply dated 23 September 2024 from the Associated Company. The Group considers that the contents of such reply have not provided the Relevant Documents of Public Financial Information and the supporting documents for the Explanation of Data Difference, and has thus issued a follow up letter dated 26 September 2024 (“**our 26 September 2024 follow up letter**”) to the Associated Company reiterating that the Group will assert its legal rights. The Associated Company in its reply of 23 September 2024 has not provided any meaningful response to the Group’s request nos. (1) to (3) referred to in the above paragraph. In relation to the Group’s request no. (4) referred to in the above paragraph, the Associated Company was evasive and replied to the effect that its auditors had confirmed that the final audit report in relation to financial information as of 31 May 2024 would adopt the same accounting treatment as that adopted for its interim financial statements. In response to this, the Group in our 26 September 2024 follow up letter has asked for written confirmation from the auditors of the Associated Company and the official final audit report. In relation to the Group’s request nos. (5) and (6) referred to in the above paragraph, the Associated Company was again evasive; claiming that (i) there was no need for Tianrui Cement to conduct the Special Audit Work as it had already purportedly complied with the PRC Company Law and the articles of the Associated Company governing the supply of information to shareholders; (ii) the PRC Company Law does not provide for shareholder’s right to conduct an audit; it merely provides for the shareholder or its auditor to make inspection and copies of the relevant information; and (iii) that in prior years, our Group did not request for an audit, and thus the Associated Company believed that the Group’s present request for the Special Audit Work was irregular. In response to this, the Group in our 26 September 2024 follow up letter has emphasized that the Group’s ground for requesting the Special Audit Work is that the Associated Company’s multiple responses to the Group’s queries on the accounting information differences have been unreasonable and lacking relevant supporting documents.

Associated Company’s loan request

With respect to the reference to “*the Associated Company’s loan request to the Company for financial support to settle its expense such as employee salary and social security payments*” on page 3 of the Supplemental Announcement, such request was only received by the Group on 27 September 2024 by an official letter dated 25 September 2024 issued by the Associated Company to Tianrui Cement as shareholder for a loan amount of RMB3,139,462.48 for a one-year term at interest rate of 4.75% per annum.

The Group noted that the above loan request letter not only does not come with any supporting document, it also makes no attempt to respond to our 26 September 2024 follow up letter.

Given the above responses of the Associated Company which are incomplete, unreasonable and evasive, and its unreasonable stance towards the Company’s request for cooperation with the Special Audit Work and previous audit procedures, the

Company has serious doubts about the reliability of the information provided by the Associated Company, as well as its assertion on its production and operational situation. The Company will continue its endeavor to communicate with the Associated Company so as to ascertain its financial, production and operational situation, and in this regard, the Company will make further announcement as and when appropriate.

Basis for the Board’s decision not to publish 2024 Interim Results with caveats before ascertaining reliable financial information of Associated Company

Paragraphs 1 to 18 below set out the basis for the Board’s decision not to publish 2024 Interim Results with caveat before ascertaining reliable financial information of Associated Company.

Background

1. As of 31 December 2023 and 30 June 2024, the Group has 49% interest in the Associated Company and the Group accounts for the Associated Company as its associate under IAS 28 *Investments in Associates and Joint Ventures* (“IAS 28”).
2. The Group noted the Financial Data Differences.
3. On 26 August 2024, the Associated Company informed the Group that its production had been suspended for more than a year, and that, in order to alleviate the financial pressure caused by the suspension of production, employees are scheduled to take a two-month leave starting from September 2024.
4. In late August 2024 and on 3 September 2024, the Group communicated with the Associated Company several times to obtain its confirmed financial statements for the first half of 2024 and requested the Associated Company to cooperate with the accountants and the valuer appointed by the Group to review and conduct the Special Audit Work on the Associated Company. According to the observation of the Group’s management, although most of the Associated Company’s employees have been on leave since September 2024, the Associated Company’s finance department is still operating normally. Therefore, if the Associated Company can cooperate, the Special Audit Work will not be affected by the employees’ leave.
5. The Group noted the Associated Company’s Explanation of Data Difference.
6. After carefully considering the above response from the Associated Company, the operating conditions of the Associated Company (which, according to the Associated Company, has been suspended for more than one year and its employees are on leave for two months beginning from September 2024 and its recent loan request to settle the employee salaries), and the significant book value of the Company’s equity investment (approximately RMB434 million) and debt (approximately RMB82 million) in the Associated Company, the Company

believes that it is still necessary to further evaluate the financial condition of the Associated Company and whether there is any impairment of investment and shareholder loan because:

- (a) the Published Financial Information for the First Five Months of 2024 is publicly disclosed on the website of the China Beijing Equity Exchange in accordance with the “Regulations on the Supervision and Administration of Enterprise State-owned Assets Transactions”, which is accurate and authoritative and should have been compiled based on the financial data provided by the Associated Company.
- (b) The Associated Company should only have one set of financial data and financial statements, that is, if the account adjustments in the Explanation of Data Differences mentioned in the official response of the Associated Company are applicable to the Published Financial Information for the First Five Months of 2024, they should also be applicable to the Associated Company’s confirmed financial data for the first half of 2024. However, the Associated Company did not explain why the accounting adjustments were applied differently and why the Associated Company had two different sets of financial information.

During 2023 annual audit, the Associated Company also did not actively cooperate with the audit works, and therefore the auditors of the Company was unable to commence the on-site audit works. With rounds of communications between the management of the Company and the Associated Company, the above matter was finally resolved shortly before the Company published annual results announcement dated 1 April 2024.

- (c) As disclosed on p75 of the Company’s 2023 annual report, the disclosure under “3. Basis of Preparation of Consolidated Financial Statements and Material Accounting Policy Information — 3.2 Material accounting policy information — Investments in associates” states “*The Group assesses whether there is an objective evidence that the interest in an associate may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 “Impairment of Assets” as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.*”. Accordingly, in light of the circumstances of the Associated Company being unable to provide satisfactory answer to the Company’s request, and the Associated Company’s operation status, the Board considers it necessary to further assess the Associated Company’s financial status and whether to make impairment of its investment and creditor’s right with respect to the Associated Company.

- (d) The Board also notes that:
- (i) According to the observation of the Group’s management, although most of the Associated Company’s employees have been on leave since September 2024, the Associated Company’s finance department is still operating normally. Therefore, if the Associated Company can cooperate, the Special Audit Work will not be affected by the employees’ leave.
 - (ii) While the Associated Company had only represented about 1% and 3% of the Group’s total assets and net assets respectively, the below materiality should also be noted:
 - If the investment in the Associated Company is fully impaired, it represents 332% the Company’s consolidated net profit for the six months ended 30 June 2023 and 83% of the total loss of the Company in 2023
 - Based on the currently available financial information, if investment and creditor’s right with respect to the Associated Company is fully impaired, the Group will record loss instead of profit
 - In view of above, publishing the interim results with caveat will not present a true and fair view of Company’s financial status to investors
- (e) the Board has considered the following paragraphs under section headed “**Analysis**” below in reaching the decision set out in the above heading.

Analysis

Potential issues on the application of the equity method under IAS 28

7. According to the extract of the financial information disclosed in the Group’s annual financial statements for the year ended 31 December 2023:
- The Associated Company’s financial information shows that its net assets as of 31 December 2023 were RMB460,343,000 with net current liabilities of RMB212,510,000;
 - The Associated Company’s net loss is RMB82,102,000;
 - The Associated Company contributes an amount of RMB434,158,000 of the Group’s interests in associates; and
 - The Associated Company contributes an amount of RMB81,674,000 of the Group’s amounts due from associates.

8. On 26 August 2024, the Associated Company informed the Group that its production had been suspended for more than a year, and that, in order to alleviate the financial pressure, employees are scheduled to take a two-month leave starting from September 2024. Further, on 27 September 2024, the Group received a loan request of approximately RMB3.13 million from the Associated Company for settlement of employee salaries and social security for August 2024. Under IAS 28, the above fact indicates that there is a significant financial difficulty for the Associated Company. Following IAS 28.41A, the Group should consider to perform an impairment on the net investment in the Associated Company. Under IAS 28.42, the management of the Group shall assess the value in use of the Associated Company either by estimating: (i) its share of the present value of the estimated future cash flows expected to be generated by the Associated Company, including the cash flow from the operations of the Associated Company and the proceeds from the ultimate disposal of the investment; or (ii) the present value of the estimated future cash flows expected to arise from dividends to be received from the investment and from its ultimate disposal.
9. In addition, the financial difficulty of the Associated Company might also indicate that the amount of RMB81,674,000 of the amount due from it may be credit-impaired and accordingly, an expected credit loss (“ECL”) should be recognized in the consolidated profit or loss under IFRS 9 *Financial Instrument* (“IFRS 9”), paragraph 9.5.5.1. Under IFRS 9.5.5.17, the estimation of the ECL involves a probability-weighted assessment of all cash shortfalls over the expected life of the financial instruments. This accounting requirement requires the Group to estimate the probability of default and the amount of loss given default, which are subject to material accounting judgement and estimates.
10. As mentioned above, the Associated Company was loss-making for the year ended 31 December 2023 and had a net current liability position as of 31 December 2023. Based on the currently available information as set out above, the loss-making position persists during the first half of 2024. Therefore, without access to reliable financial information and accounting records of the Associated Company, the management of the Group would not be able to perform the impairment assessment required under IAS 28 and the ECL under IFRS 9, which might involve the use of significant assumptions, judgments and accounting estimates.
11. It should be noted that the carrying amount of the Group’s interest in the Associated Company and the amount due from the Associated Company as of 31 December 2023 were RMB434,158,000 and RMB81,674,000, respectively. We also note that these figures approximate to those as of 30 June 2024. Given the current financial position of the Associated Company, should the above carrying amounts related to the Associated Company be fully impaired, should we adopt the Group’s financials in its 2023 annual financial statements as a proxy, the potential impact would account for 83% of the total loss of the Company in 2023 and therefore, the potential impact would be both material and pervasive.

12. The Audit Committee also noted that the objective of IAS 34 *Interim Financial Reporting* (“IAS 34”) is to give “*Timely and reliable interim financial reporting improves the ability of investors, creditors, and others to understand an entity’s capacity to generate earnings and cash flows and its financial condition and liquidity*”. In order to meet its objective, IAS 34 lays down certain disclosures that should be made if they are significant, in order to “*give an explanation of events and transactions that are significant to an understanding of the changes in financial position and performance of the entity since the end of the last annual reporting period*”. As discussed above, should there be reliable information available and such impairment should be made, the disclosures under IAS 34.15B(b), i.e., the details from the recognition of a loss from the impairment of financial assets, property, plant and equipment, etc., should be included in the interim financial statements for the six months ended 30 June 2024 and therefore, from a qualitative perspective, its impact on the financial statement users to understand the performance of the Group could be material.

Potential issues arising from loss of significant influence

13. As set out above and previously, the management of the Group has requested the Special Audit Work to be performed on the interim financial information submitted by the Associated Company and such a request was rejected. Whilst IAS 28.6 provides limited guidance on how to determine whether there is a significant influence on an investee by an entity, Ernst & Young’s International GAAP 2024, Chapter 11, section 2.1 explains that the existence of “*The investee, other shareholders or regulatory authorities are opposing the investor’s attempts to exercise significant influence*” or “*The investor is unable to obtain timely or adequate financial information required to apply the equity method*” are indicators that the presumption of significant influence would not be valid.
14. With the existence of the above indicators, it is possible that the Group has lost its significant influence in the Associated Company. Following IAS 28.22, the Group should cease to apply the equity method from the date when the investment ceases to be an associate. It should be noted that should the Group lose its significant influence on the Associated Company, it should classify the investee to be a financial asset scoped under IFRS 9. IAS 28.22(b) requires the following accounting treatment to be applied: “*If the retained interest in the former associate or joint venture is a financial asset, the entity shall measure the retained interest at fair value. The fair value of the retained interest shall be regarded as its fair value on initial recognition as a financial asset in accordance with IFRS 9. The entity shall recognise in profit or loss any difference between: (i) the fair value of any retained interest and any proceeds from disposing of a part interest in the associate or joint venture; and (ii) the carrying amount of the investment at the date the equity method was discontinued.*”

15. That means the IFRS requires the cessation of the use of equity accounting as a “deemed acquisition” of a financial instrument which involves: (i) the valuation of the financial instrument at initial recognition and (ii) the Group recognises the difference between the original carrying amount of the Associated Company and the financial instrument in the consolidated statement of profit or loss.
16. Again, without reliable financial information and accounting records of the Associated Company, the management of the Group would not be able to assess the fair value of the financial asset (which could potentially be very minimal as of 30 June 2024 as the Associated Company was in significant financial difficulties and has been making continuous losses) and the carrying value of the Associated Company upon the date of loss of significant influence and therefore the potential gain or loss on the loss of significant influence could be both material and pervasive to the interim financial statements. Assuming the fair value of the financial asset is minimal, a loss that approximates the carrying amount of the Associated Company, i.e., RMB434,158,000 should be recognized in the consolidated profit or loss of the interim financial statements for the six months ended 30 June 2024. The potential impact would account for 70% of the total loss for the year ended 31 December 2023 and therefore the potential impact would be both material and pervasive. Last but not the least, with the current information, the Group’s management may not be able to draw conclusion on whether significant influence has been lost as it is unclear as to whether the inability to exercise significant influence occurs before 30 June 2024 or subsequent to 30 June 2024.

Potential issues arising from presenting incomplete financial information

17. It is noted that IAS 1 Presentation of Financial Statements (“IAS 1”), which applies to the preparing and presenting general purpose financial statements complying with IFRSs, should be observed when preparing interim financial statements. In accordance with IAS 1.17(b), “*In virtually all circumstances, an entity achieves a true and fair view by compliance with applicable IFRSs. A true and fair view also requires an entity: ... (b) to present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information*”. Therefore, it is the objective of the International Accounting Standard Board that only when reliable information is included in a set of financial statements then a true and fair view picture be presented. Any caveat language included in a set of financial statements on the reliability of any financial information will not present a true and fair view.

18. Based on the analysis presented above, it is considered that the unavailability of reliable financial information from the Associated Company might have a material and pervasive impact on the Group’s interim financial statements and therefore relying on the unreliable financial statements from the Associated Company to issue the Group’s interim report for the period ended 30 June 2024:
- will not enable the Group to comply with the provisions set out in Appendix D2 of the Listing Rules in relation to publishing 2024 Interim Results; and
 - due to the potential financial effects discussed above, a true and fair view of the state of affairs and the results of its operation and cash flows may not be present in the 2024 Interim Results.
 - Any caveat language included in a set of financial statements on the reliability of any financial information will not present a true and fair view.

Proposed timetable

19. The Company, after consulting all the INEDs (including the current chairman of the Audit Committee), is minded to engage a reputable firm of auditors (“**Proposed Review Accountants**”) to carry out a review of the interim financial results of the Company and of the Associated Company to ensure that the Company may disclose fairly its financial information in its 2024 Interim Results.
20. In relation to the above, (a) the Company has already appointed a valuer and an external PRC accountant for the Special Audit Work on the Associated Company in the PRC as set out in the table below; and (b) the Company is minded to engage the Proposed Review Accountants, which will have an impact on the tentative date of publication of the 2024 Interim Results set out in the table below.

Indicative timeline of steps towards publication of 2024 Interim Results

Date	Steps taken and to be taken	Status
2 September 2024	Appointment of external valuer for Special Audit Work on the Associated Company in the mainland PRC	Completed
3 September 2024	Appointment of external PRC accountant for Special Audit Work on the Associated Company in the mainland PRC	Completed
9 September 2024	Tianrui Cement received official reply from Associated Company	Completed

Date	Steps taken and to be taken	Status
13 September 2024	Tianrui Cement replied to Associated Company	Completed
25 September 2024	Tianrui Cement received official reply from Associated Company	Completed
26 September 2024	Tianrui Cement replied to Associated Company	Completed
By end of October 2024	Appointment of Proposed Review Accountants	Pending
29 November 2024	Publication of 2024 Interim Results announcement	Pending discussion with Proposed Review Accountants

CONTINUED SUSPENSION OF TRADING

The Company will use its best endeavours to ascertain the reliable financial information of the Associated Company in order to determine the accounting treatment of the long-term investment in the Associated Company. In light of the above developments, the Company has not yet been able to commence the Special Audit Work and therefore it has not been able to publish the 2024 Interim Results on 30 September 2024 as previously disclosed in the announcement dated 4 September 2024. The Company will announce an expected date of publication of the 2024 Interim Results as soon as there is further development on obtaining the reliable financial information from the Associated Company.

Further announcement(s) will be made by the Company to inform its Shareholders of (1) the revised date of the meeting of the Board to consider and approve the 2024 Interim Results of the Company; and (2) the date of release of the 2024 Interim Results, as and when appropriate.

Shareholders and potential investors of the Company are advised to exercise caution when dealing in the shares of the Company, and if they are in any doubt about their position, they should consult their professional adviser(s).

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

Hong Kong, 4 October 2024

As at the date of this announcement, the Board consists of Chairman and executive Director, Mr. Li Xuanyu; Executive Directors, Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; Non-executive Director, Mr. Li Liufa; and Independent Non-executive Directors, Mr. Kong Xiangzhong, Mr. Mak Tin Sang, Mr. Du Xiaotang and Mr. Li Wenfeng.