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**THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION**

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**If you are in doubt** as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

**If you have sold or transferred** all your shares in **China Tianrui Group Cement Company Limited**, you should at once hand this Circular, together with the accompanying form of proxy to the purchaser or the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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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)**

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE DEPOSIT SERVICES AGREEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the independent Shareholders**



**TC CAPITAL**

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A letter from the Board is set out on pages 5 to 17 of this Circular. A letter from the Independent Board Committee is set out on pages 18 to 19 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 20 to 36 of this Circular.

A notice convening the EGM to be held at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 29 December 2017 at 10:30am is set out on pages 51 to 53 of this Circular.

A form of proxy for use in connection with the extraordinary general meeting is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 48 hours before the time designated for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

12 December 2017

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## DEFINITIONS

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*In this Circular, unless the context otherwise requires, the following expressions have the following meanings:*

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Cement Group”	Tianrui Cement and its subsidiaries
“Chairman Li”	Li Liufa (李留法), the chairman and a controlling shareholder of the Company
“Circular”	the Circular of the Company dated 12 December 2017 in relation to, among other matters, details of the Deposit Services Agreement and the Deposit Services Annual Caps to be considered and approved at the EGM
“Company”	China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Deposit Services”	<i>inter alia</i> , demand deposit, saving deposit, notice deposit and agreed deposit services proposed to be provided by Tianrui Finance to member(s) of the Cement Group pursuant to the terms and provisions set out in the Deposit Services Agreement
“Deposit Services Annual Caps”	the annual caps for the maximum daily deposit amount (including the corresponding interests accrued thereon) by member(s) of the Cement Group with Tianrui Finance in relation to the Deposit Services for the period commencing on the Effective date and ending on 31 December 2019
“Deposit Services Agreement”	the deposit services agreement dated 6 October 2017 entered into between the Tianrui Finance and Tianrui Cement
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the Independent Shareholders’ approval of the Deposit Services Agreement

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the Deposit Services Agreement and the related proposed annual caps
“EGM Notice”	the notice of the EGM dated 12 December 2017
“Financial Services Agreement”	the financial services agreement dated 6 October 2017 entered into between the Tianrui Finance and the Tianrui Cement
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang established to advise the Independent Shareholders in respect of the terms of the Deposit Services Agreement, and the related proposed annual caps and the transactions contemplated thereunder
“Independent Financial Adviser”	TC Capital International Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Deposit Services Agreement and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Yu Kuo and those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Deposit Services Agreement and the related proposed annual caps
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of our Directors, chief executives, substantial shareholders or any of our subsidiaries or any of their associates
“Latest Practicable Date”	7 December 2017, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“PBOC”	the People’s Bank of China, the central bank of the PRC with the statutory authority to, <i>inter alia</i> , control monetary policy in the PRC
“PRC”	the People’s Republic of China which, for the purposes of this Circular, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan

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## DEFINITIONS

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“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Services”	the free cash clearance and settlement services provided by Tianrui Finance to member(s) of the Group pursuant to the terms and provisions set out in the Financial Services Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), the Company’s indirectly wholly-owned subsidiary
“Tianrui Finance”	Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司), a company established in the PRC with limited liability, owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 5.25% by Tianrui Foundry and as to 23% by Tianrui Travel
“Tianrui Foundry”	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
“Tianrui Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability, owned as to 70% by Chairman Li and 30% by Ms. Li Fengluan, the spouse of Chairman Li
“Tianrui Group”	Tianrui Group Company and its subsidiaries
“Tianrui Travel”	Tianrui Travel Group Company Limited (天瑞旅遊集團股份有限公司), formerly known as Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company

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## DEFINITIONS

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“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is a Controlling Shareholder of the Company holding 67.62% of the issued share capital of the Company and the issued share capital of which is indirectly owned as to 70% by Chairman Li and as to 30% by Ms. Li Fengluan, the spouse of Chairman Li
“%”	per cent

*In case of any discrepancy between the English version and the Chinese version of this Circular, the English version shall prevail.*

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LETTER FROM THE BOARD

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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)**

*Chairman and Non-executive Director:*

Mr. Li Liufa

*Executive Directors:*

Mr. Xu Wuxue

Mr. Li Jiangming

Mr. Ding Jifeng

*Non-executive Directors:*

Mr. Li Heping

Mr. Yang Yongzheng

*Independent Non-executive Directors:*

Mr. Kong Xiangzhong

Mr. Wang Ping

Mr. Du Xiaotang

*Registered Office:*

Cricket Square, Hutchins Drive

PO Box 2681

Grand Cayman

KY1-1111

Cayman Islands

*Headquarters and Principal Place  
of Business in the PRC:*

No. 63 Guang Cheng Road East

Ruzhou City

Hanan Province

PRC

*Place of Business in Hong Kong:*

Room 2005A, 20/F., Lippo Centre Tower 2

89 Queensway, Admiralty

Hong Kong

12 December 2017

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
IN RELATION TO THE DEPOSIT SERVICES AGREEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 6 October 2017 in relation to the continuing connected transactions contemplated under the Deposit Services Agreement.

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## LETTER FROM THE BOARD

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Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Deposit Services Agreement and the Deposit Services Annual Caps at the EGM.

The purposes of this Circular are to provide you with (1) a letter from the Board containing further details of the Deposit Services Agreement and the Deposit Services Annual Caps; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Deposit Services Agreement and the Deposit Services Annual Caps; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services Agreement and the Deposit Services Annual Caps; (4) notice of convening the EGM; and (5) other information as required under the Listing Rules.

### CONTINUING CONNECTED TRANSACTIONS

#### Deposit Services Agreement

**Date:** 6 October 2017 (after trading hours)

**Parties:**

- (i) Tianrui Cement; and
- (ii) Tianrui Finance (as service provider)

**Term:**

The period commencing from the Effective Date to 31 December 2019

**Major terms:**

*(i) Deposit Services*

Tianrui Finance shall provide the Cement Group with the Deposit Services subject to the terms and conditions provided in the Deposit Services Agreement. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. The interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The interest accrued for the deposits is payable every quarter. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2017, 2018 and 2019 shall not exceed RMB700 million, RMB1 billion and RMB1 billion, respectively.

However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, i.e. the total outstanding loan balance provided by Tianrui Finance to the Cement Group pursuant to the Financial Services



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## LETTER FROM THE BOARD

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Agreement. Furthermore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Cement Group in case of default by Tianrui Finance.

*(ii) Set-off*

In the event of any default by Tianrui Finance as a result of which the Cement Group not being able to recover the amount deposited with Tianrui Finance the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance.

*(iii) Undertakings by Tianrui Finance:*

Tianrui Finance undertakes to the Cement Group, among other things, that:

- (a) it shall ensure the security and independence of the Cement Group's deposits and not impose any restriction thereon. Tianrui Finance shall only deposit the Cement Group's deposit into commercial banks with licence issued by the CBRC and be responsible for any loss sustained by the Cement Group arising from the security of its system;
- (b) it has the qualification and has obtained all necessary permits, approvals, licences required to carry out its obligations under the Deposit Services Agreement, and will provide the Deposit Services in accordance with "Measures for the Administration of Finance Companies of Enterprise Groups" 《企業集團財務公司管理辦法》;
- (c) it shall cooperate with the Cement Group in compliance with the disclosure requirements under the relevant rules and regulations regarding the connected transactions (as defined under the Listing Rules) contemplated under the Deposit Services Agreement;
- (d) it shall regularly supply annual audit report or such other financial information as requested by the Company, regularly disclose its operation and financial conditions to the Company, allow the Company's auditors to review its accounting records for the purpose of complying with the Listing Rules and conduct regular checks on the deposits;
- (e) it shall notify the Company and take measures to prevent loss from occurring or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition; and
- (f) it will strictly comply with the risk regulatory indicators promulgated by the CBRC applicable to Tianrui Finance and ensure its major regulatory indicators such as the asset-liability ratio and liquidity ratio comply with the requirements of the CBRC and other relevant laws and regulations.

## LETTER FROM THE BOARD

Financial ratio	Requirement	Formula	Financial Ratio of Tianrui Finance	
			As at 31/12/2016	As at 30/6/2017
Capital Adequacy Ratio* (資本充足率)	Not less than 10%	Net Capital/Total Risk-Weighted Assets	45.24%	76.99%
Non-performing Asset Ratio* (不良資產率)	Not more than 4%	Non-performing Assets/Total Assets with Credit-risk	0 (Note 1)	0 (Note 1)
Non-performing Loan Ratio* (不良貸款率)	Not more than 5%	Non-performing Loans/Total Loans	0 (Note 1)	0 (Note 1)
Asset Loss Provision Adequacy Ratio* (資產損失準備充足率)	Not less than 100%	Actual Provision for Loss for Assets with Credit-risk/Required Provision for Loss for Assets with Credit-risk	100%	100%
Loan Loss Provision Adequacy Ratio* (貸款損失準備充足率)	Not less than 100%	Actual Provision for Loan Loss/Required Provision for Loan Loss	100%	100%
Liquidity Ratio* (流動性比例)	Not less than 25%	Current Assets/Current Liabilities	50.2%	321.62%
Fixed Assets Ratio* (自有固定資產比例)	Not more than 20%	Total Fixed Assets/Total Equity	0 (Note 2)	0 (Note 2)
Short-term Securities Investment Ratio* (短期證券投資比例)	Not more than 40%	Short-term Security Investment/Total Equity	0 (Note 1)	0 (Note 1)
Long-term Investment Ratio* (長期投資比例)	Not more than 30%	Long-term investment/Total Equity	0 (Note 1)	0 (Note 1)
Inter-bank Borrowing Ratio* (拆入資金比例)	Not more than 100%	Total Interbank Borrowing/Total Equity	0 (Note 1)	0 (Note 1)
Guarantee Ratio* (擔保比例)	Not more than 100%	Guarantee Risk Exposure/Total Equity	93.34%	29.19%

*Note 1:* Since Tianrui Finance did not have the related items, such as non-performing asset, bad loan, short-term securities investment, long-term investment and borrowing, as at the above said date, the related ratio recorded as zero.

*Note 2:* Tianrui Finance had fixed asset of approximately RMB2,840.0 and RMB2,484.9 as at 31 December 2016 and 30 June 2017 respectively. Thus own fixed assets ratio closed to zero and as the result, the own fixed assets ratio are recorded as zero.

Tianrui Finance is subject to the on-site supervision and management by the CBRC and is required to submit monthly, quarterly, interim and annual reports to the CBRC and the Company will review such report to ensure compliance by Tianrui Finance.

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## LETTER FROM THE BOARD

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### *(iv) Special Conditions*

Tianrui Finance shall notify the Cement Group in writing within two business days and take actions to remedy the following events:

- i. Tianrui Finance is unable to pay its material debts or if any of the directors or senior management is involved in criminal offences;
- ii. Any material changes in organizational structure and business operation may affect the normal operation of Tianrui Finance;
- iii. Any shareholder loans due to Tianrui Finance is overdue for more than one year;
- iv. any regulatory indicators are not in compliance with those set out in Article 34 of the Measures for the Administration of Finance Companies of Enterprise Groups issued by the CBRC (“**Article 34 of the Measures**”);
- v. Tianrui Finance is subject to major penalty imposed by the CBRC including but not limited to administrative punishment and being ordered for rectification; and
- vi. Other matters which may impact the security of the Cement Group’s deposit.

### *(v) Non-competition Clause*

The funds deposited to Tianrui Finance by the Cement Group shall not be used to finance any other entities which are engaged in business competes with the business of Cement Group.

### *(vi) Conditions Precedents*

The taking effect of the Deposit Services Agreement is conditional upon (i) the Independent Shareholders’ approval of the Deposit Services Agreement and the arrangement of the Deposit Services at the EGM of the Company and (ii) other relevant approvals as may be required for the Deposit Services Agreement to take effect.

### *(vii) Termination*

The Deposit Services Agreement shall not be terminated by any of the parties unilaterally.

In addition to the default events provided by the Contract Laws of the PRC, Tianrui Cement may terminate the Deposit Services Agreement with immediate effect if Tianrui Finance fails to fulfil its duties and complete its rectifications within the period prescribed by the CBRC, according to the Measures for the Administration of Finance Companies of Enterprise Groups 《企業集團財務公司管理辦法》 issued by the CBRC.

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## LETTER FROM THE BOARD

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Upon termination of the Deposit Services Agreement, the Cement Group may withdraw all of its deposits with Tianrui Finance at any time. If there is any outstanding loan owed by the Cement Group, the Cement Group may negotiate with Tianrui Finance regarding to the repayment amount and terms for the repayment of loan.

### *(viii) Indemnity*

Tianrui Finance will fully indemnify any loss suffered by the Cement Group due to the default of Tianrui Finance.

### *Proposed caps*

The proposed caps for the period commencing on the Effective date and ending on 31 December 2019 are as follows:

	<b>From Effective Date to 31 December 2017 (RMB)</b>	<b>From 1 January to 31 December 2018 (RMB)</b>	<b>From 1 January to 31 December 2019 (RMB)</b>
Maximum daily balance of the Deposit Services	700,000,000	1,000,000,000	1,000,000,000

The Cement Group had never conducted any transactions with Tianrui Finance similar to those under the Deposit Services Agreement.

### *Benefits of entering into the Deposit Agreement*

Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services by PRC law and regulations even though it is not a bank. Given the connection between the Company and Tianrui Finance the Company is familiar with the operation of Tianrui Finance and believes that it is a reliable and suitable financial institution to make deposit with. The interest of the Cement Group has been protected under various terms of the Deposit Agreement. Pursuant to the Financial Services Agreement, Tianrui Finance shall provide credit to the Cement Group from time to time. According to the Deposit Agreement, the amount deposited by the Cement Group in Tianrui Finance shall at all time be less than the total loan outstanding balance provided by Tianrui Finance to the Cement Group. Furthermore, in case of any default by Tianrui Finance in returning any deposit amount, the Cement Group is entitled to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. With proper internal control measures, the Cement Group can control the amount to be deposited with Tianrui Finance to a level that is lower than the total outstanding balance owing to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Cement Group in case of default by Tianrui Finance and the interest of Cement Group is safeguarded.

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## LETTER FROM THE BOARD

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The Directors believe that the Company and shareholders will be benefited from the Deposit Services:

- (i) higher interest income due to higher interest rates as compared to other financial institutions
- (ii) administration charges and fees chargeable by Tianrui Finance is less than commercial banks
- (iii) easier settlement arrangement among group members of the Group as every group member will open an account with Tianrui Finance and real-time settlement arrangement for transactions among the group members would be provided free-of-charge, also netting off of payments could shorten the settlement process
- (iv) Cement Group shall be entitled to the loan to be provided by Tianrui Finance pursuant to the Financial Services Agreement

The Company has determined the proposed annual cap of the Deposit Services with reference to the total amount of bank balance and cash on hand. At the same time, the Cement Group is not under any obligation to place deposits with Tianrui Finance pursuant to the Deposit Services Agreement. Therefore, it can be benefited from the flexibility that it can deposit the entire or part of the amount of cash on hand to Tianrui Finance, depending on its need and level of credit already obtained from Tianrui Finance.

### ***Basis of the Proposed Annual Caps***

The proposed annual caps for the Deposit Services were determined after taking into account of the bank balance and cash on hand of the Cement Group as at 31 January 2016 and 30 June 2017 of approximately RMB971 million and approximately RMB1,072 million respectively.

The Cement Group is not under any obligation to place deposits with the Tianrui Finance pursuant to the Deposit Services Agreement.

The Company considers that the setting of annual caps for the Deposit Services higher than the bank balance and cash on hand of the Cement Group so as to accommodate the possible drawn down of the loan facility to be provided by the Finance Company which could be temporarily deposited in the relevant bank accounts under the Deposit Services, and have also taken into account of the expected cashflow to be generated from the operations of the Cement Group.

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## LETTER FROM THE BOARD

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### INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY

The followings will be adopted by the Company to ensure that the transactions contemplated the Deposit Services Agreement are and on normal commercial terms and in the interests of the Company and the Shareholders as a whole and in compliance with the Listing Rules:

- (1) in respect of the Deposit Services under the Deposit Services Agreement to be utilized by the Cement Group, the personnel in the finance department of the Group is/are responsible for the comparing of the rate(s) offered by Tianrui Finance against the deposit rate(s) announced by the PBOC, and further against the deposit rate(s) offered by at least three major commercial banks in the PRC, to confirm the rate(s) offered by Tianrui Finance are more favorable to the Cement Group. The main criterion for selecting the three major commercial banks for benchmarking purpose are (i) previous volume of transactions with the Cement Group and (ii) deposit interest rate which the banks. The main criterion for selecting financial institutions for providing deposit services are (i) the more favourable interest charges and fees that they can offer; and (ii) the previous business relationship with the institution.
- (2) these information together with the daily deposit amount (with the corresponding accrued interests) will be consolidated and included in a report to be submitted to the chief financial officer of the Group for review, verification and approval.
- (3) the Audit Committee reviews the quarterly reports to ensure the rates and terms offered to member(s) of the Cement Group for the Deposit Services complied with the terms and conditions under the Deposit Services Agreement and the aggregate daily deposit amount (with the corresponding accrued interests) with Tianrui Finance by the Cement Group shall not exceed the relevant proposed annual caps.
- (4) financing will not be given to other entities which engaged in business competes with that of the Group.
- (5) The Company's CFO has been appointed as one of the directors of Tianrui Finance and is responsible for the management and day-to-day operation of Tianrui Finance. He will report any non-compliance and issues regarding to the internal control policies or financial to the Company immediately.
- (6) Quarterly reports about business performance, compliance, deposits and loans, and other services, and the financial statements (including profits and loss accounts and balance sheet) of Tianrui Finance prepared by Tianrui Finance in accordance with the related rules and regulations of CBRC, will be sent to the Cement Group and the Company for review and monitoring.

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## LETTER FROM THE BOARD

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- (7) to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith, the Company considers the possible risks include default risk, regulation risk and corporate governance risk: (i) in accessing the default risks, the Company considers that since the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group. Therefore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance; and (ii) in accessing regulation risks, the Company considers that Tianrui Finance is governed by the CBRC and is subjected to related rules and regulations and internal control measures. As mentioned in the Deposit Services Agreement, the Cement Group will review all the monitoring reports submitted to the CBRC to ensure the compliance. Tianrui Finance shall notify the Cement Group in writing within two business days once there are any non-compliance issues or penalties imposed by the CBRC and (iii) in accessing the corporate governance risk, the Company's CFO has been appointed as one of the directors of Tianrui Finance.
- (8) to ensure that the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, firstly, certain staff in the finance department of the Cement Group is/are assigned to conduct manual checks on the loan amount before deposit is made. Furthermore, the computing software systems to record and monitor the amount deposited by the Cement Group with Tianrui Finance will notify the finance department if the amount is about to reach the loan amount. Cement Group will check the amount deposited to Tianrui Finance before the Cement Group repays a loan due to Tianrui Finance.

Considering the above factors, the Board considers that the risk in relation to the provision of deposit services by Tianrui Finance which serves the Tianrui Group exclusively is relatively lower when compared with the provisions of the said services by other financial institutions.

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## LETTER FROM THE BOARD

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### REASONS FOR AND BENEFITS OF ENTERING INTO THE DEPOSIT SERVICES AGREEMENT

The Deposit Services Agreement entered into by the respective parties is in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) considered that:

- (1) the interest rate(s) offered to the member(s) of the Cement Group by Tianrui Finance for Deposit Services shall be higher than (i) the deposit rate(s) announced by the PBOC; and (ii) deposit rate(s) offered by major commercial banks in the PRC to the member(s) of the Cement Group, for comparable deposits, are on equal or better terms than those available from independent third parties;
- (2) the deposit services provided by independent third parties in preceding years and the services under the Deposit Services to be provided by Tianrui Finance are similar in nature. In addition, the Cement Group requires the Deposit Services for its daily operation, which are in the ordinary and usual course of business of the Group.
- (3) Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services by PRC laws and regulations. Despite it cannot accept deposits from the general public, open general bank accounts and issue electronic bank debit cards, its operation is basically the same as the other commercial banks. Although Tianrui Finance not a bank, it is authorized by the PRC law and is capable of providing financial services.

The financial strength of Tianrui Finance can be proven in the following ways: (i) sufficient paid-in capital: the paid-in capital of Tianrui Finance is RMB1 billion; and (ii) security of funds: Tianrui Finance's operation is subject to the PRC laws and regulations and internal control measures. Tianrui Finance serves the Cement Group and Tianrui Group exclusively and therefore, faces relatively lower legal risks and default risks as compared to other commercial banks that serve a variety of different entities. Tianrui Finance, its major shareholders and clients belong to the same control that enhance the monitoring and control for the security of funds.

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) considered that the terms of the Deposit Services Agreement are on normal commercial terms as compared to those available from independent third parties under the prevailing local market conditions. The Deposit Services Agreement and the Deposit Services Annual Caps are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.



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## LETTER FROM THE BOARD

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Save for Chairman Li, Mr. Li Jiangming and Mr. Xu Wuxue, all of the Directors have confirmed that none of them has any material interest in the Deposit Services Agreement and the related proposed annual caps; and therefore no Director (except Chairman Li, Mr. Li Jiangming and Mr. Xu Wuxue) is required to abstain from voting at the meeting of the Board to approve The Deposit Services Agreement and the related proposed annual caps.

Your attention is also drawn to the “**Letters from the Independent Board Committee**” and “**Letter from the Independent Financial Adviser**” and their respective recommendations set out on pages 18 to 19 and pages 20 to 36 of this Circular, respectively.

### INFORMATION OF THE GROUP AND TIANRUI FINANCE

The Group is principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement. Tianrui Cement is primary engaged in businesses of production, sale and distribution of clinker and cement.

Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC. Its establishment was approved by the CBRC on 20 July 2015 and it is authorised to provide a variety of financial services including the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; provision of guarantees to member companies and dealing with entrusted loans among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; provision of loans and finance leasing services to member companies; provision of intra-group funds transfer and settlement services to member companies.

The scope of business of Tianrui Finance includes: the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; performing authorized insurance agency business; provision of guarantees to member companies and dealing with entrusted loans or investments among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; conducting inter-bank borrowing and lending.

As at the Latest Practicable Date, Tianrui Finance had a registered capital of RMB1 billion which was owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 5.25% by Tianrui Foundry and as to 23% by Tianrui Travel.

Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Chairman Li and 30% by Ms. Li Fengluan, the spouse of Chairman Li, who have investment in different businesses such as foundry business, tourism, hotel

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## LETTER FROM THE BOARD

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business, energy and mining, 67.62% of the shareholding of the Company is indirectly owned by Tianrui Group Company. Tianrui Foundry and Tianrui Travel are subsidiaries of Tianrui Group Company.

### LISTING RULES IMPLICATIONS

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo, a Controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Deposit Services Agreement and the Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Deposit Services under the Deposit Services Agreement exceeds 5% but is less than 25% as defined by the Listing Rules, the Deposit Services constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will also disclose the relevant details of the Deposit Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

### BOARD'S APPROVAL

Save for Chairman Li, Mr. Li Jiangming and Mr. Xu Wuxue all of the Directors have confirmed that none of them has any material interest in The Deposit Services Agreement and the related proposed annual caps; and therefore no Director (except Chairman Li, Mr. Li Jiangming and Mr. Xu Wuxue) is required to abstain from voting at the meeting of the Board to approve The Deposit Services Agreement and the related proposed annual caps.

### EGM

The Company will convene the EGM to be held at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on 29 December 2017 at 10:30am for the purpose of considering, and if thought fit, approving the Deposit Services Agreement and the transactions contemplated therein (including the related proposed annual caps). Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the independent Shareholders at the EGM will be taken by poll. No shareholder, other than Yu Kuo, has a material interest in the Deposit Services Agreement, and is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the Deposit Services Agreement and the Deposit Services Annual Caps. A notice of the EGM is set out on pages 51 to 53 of this Circular. The resolution in relation to the transactions contemplated under the Deposit Services Agreement (including the related proposed annual caps) will be put to vote by the Independent Shareholders at the EGM by way of poll.

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## LETTER FROM THE BOARD

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A form of proxy for use at the EGM is also enclosed with this Circular. Whether or not you intend to attend the EGM (or any adjournment thereof), you are requested to complete the accompanying form of proxy and return it to the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM if you so wish.

### RECOMMENDATION

The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the Deposit Services Agreement and the transactions contemplated therein are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and more favourable to the Group than those of independent third parties and in the interests of the Company and the Shareholders as a whole, and the Deposit Services Annual Caps are fair and reasonable. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the Deposit Services Agreement, transactions contemplated under the Deposit Services Agreement and the related proposed annual caps for the period from the Effective Date to 31 December 2019.

### GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in Appendices I and II to this Circular.

Yours faithfully,  
For and on behalf of  
**China Tianrui Group Cement Company Limited**  
**Li Liufa**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular:*



**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)**

*Independent Non-executive Directors:*

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

12 December 2017

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE DEPOSIT SERVICES AGREEMENT**

We refer to the Circular of the Company dated 12 December 2017 (the “Circular”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed as members of the Independent Board Committee to advise the Independent Shareholders in respect of the transactions under the Deposit Services Agreement and the proposed annual caps relating thereto, details of which are set out in the “Letter from the Board” to the Circular, of which this letter forms a part.

We (i) have reviewed the terms of the Deposit Services Agreement which we are of view that such terms are principally in line with market practices; (ii) consider the fact that the Tianrui Finance is governed by the CBRC and is subject to its satisfaction of the rules and operational requirements (which includes the compliance of the terms of the Deposit Services Agreement and the performance of the Deposit Services Agreement by Tianrui Finance); (iii) are in the opinion that the deposit services to be provided by Tianrui Finance are similar in nature with the deposit services provided by independent third parties in preceding years, which are for the Group’s daily operation; and (iv) took into account the advice of the Independent Financial Adviser in relation thereto as set out on pages 20 to 36 of the Circular, we consider that the transactions under the Deposit Services Agreement and

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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the proposed annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the transactions under the Deposit Services Agreement and the proposed annual caps relating thereto.

Yours faithfully,  
**Independent Board Committee**

**Kong Xiangzhong**  
*Independent*  
*non-executive director*

**Wang Ping**  
*Independent*  
*non-executive director*

**Du Xiaotang**  
*Independent*  
*non-executive director*

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter from the Independent Financial Adviser, which has been prepared for the purpose of inclusion in this Circular setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services Agreement and the proposed annual caps.*



12 December 2017

*The Independent Board Committee and the Independent Shareholders of  
China Tianrui Group Cement Company Limited*

Dear Sir/Madam,

### **CONTINUING CONNECTED TRANSACTION IN RELATION TO THE DEPOSIT SERVICES AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions contemplated under the Deposit Services Agreement and the Deposit Services Annual Caps, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 12 December issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

On 6 October 2017 (after trading hours), Tianrui Cement, the Company’s indirectly wholly-owned subsidiary, and Tianrui Finance entered into the Deposit Services Agreement, pursuant to which Tianrui Finance agreed to provide Tianrui Cement and its subsidiaries (the “**Cement Group**”) with the Deposit Services, subject to the terms and conditions provided in the Deposit Services Agreement.

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo Company Limited, a Controlling Shareholder. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the Deposit Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the highest applicable percentage ratios in respect of the Deposit Services under the Deposit Services Agreement exceeds 5% but is less than 25% as defined by the Listing Rules, the Deposit Services under the Deposit Services Agreement constitutes (i) a discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) a connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, has been established to give advice and recommendation to the Independent Shareholders in respect of the terms of the Deposit Services Agreement and the transactions contemplated thereunder, including the Deposit Services Annual Caps, are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser in connection with the Deposit Services and the Deposit Services Annual Caps.

We have been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders as to (i) whether the Deposit Services is in the ordinary and usual course of business of the Group and the terms of the Deposit Services Agreement are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the transactions under the Deposit Services Agreement are in the interests of the Company and the Shareholders as a whole and the Deposit Services Annual Caps is fair and reasonable; and (iii) how the Independent Shareholders should vote in respect of the relevant resolutions to approve the Deposit Services Agreement and the Deposit Services Annual Caps.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then Independent Board Committee and Independent Shareholders of the Company in relation to four occasions as detailed in the circulars of the Company dated 30 October 2015, 30 December 2016 and 19 July 2017, respectively and an independent financial adviser to a discloseable and connected transaction in relation to acquisition of 100% interest in a target company as detailed in the announcement of the Company dated 9 September 2015, which was subsequently terminated as stated in the announcement of the Company dated 24 March 2017. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fee from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. As at the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonable be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Deposit Services and the Deposit Services Annual Caps.

**BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the annual report of the Company for the year ended 31 December 2016 (the “**2016 Annual Report**”); (iii) the interim report of the Company for the six months ended 30 June 2017 (the “**2017 Interim Report**”); (iv) the audited report of Tianrui Finance for the year ended 31 December 2016; and (v) the management accounts of Tianrui Finance for the six months ended 30 June 2017. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the Directors and the representatives of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, the directors and the representatives of the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.

We consider that we have reviewed sufficient information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, nor have we conducted an independent investigation into the business affairs, operations, financial position or future prospects of the Group (including the Cement Group) or Tianrui Finance, their respective subsidiaries, and/or their associated companies.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinions in respect of the Deposit Services and the Deposit Services Annual Caps, we have considered the following principal factors and reasons:

#### 1. Background information of the parties to the Deposit Services Agreement

##### a. *The Group*

As set out in the Letter from the Board, the Group is principally engaged in businesses ranging from excavation of limestone to production, sale and distribution of clinker and cement. The following table sets out a summary of the recent financial performance of the Group based on the 2016 Annual Report and 2017 Interim Report.

	For the year ended 31 December		For the six months ended 30 June	
	2015	2016	2016	2017
	RMB'000	RMB'000	RMB'000	RMB'000
	(audited)	(audited)	(unaudited)	(unaudited)
Revenue	6,195,093	6,008,605	3,095,494	3,785,215
Gross profit	1,247,154	1,516,804	776,065	1,173,977
Profit for the year/period	283,505	249,570	162,874	490,131

The revenue of the Group recorded a decrease of approximately 3.01% to approximately RMB6,008.61 million for the year ended 31 December 2016 mainly due to the decrease in sales volume of cement resulting from the reduction in demands in Henan and Liaoning. However, the revenue of the Group recorded an increase of approximately 22.28% from approximately RMB3,095.49 million for the six months ended 30 June 2016 to approximately RMB3,785.22 million for the six months ended 30 June 2017. Such improvement was mainly due to the increase in sales price of cement products.

The gross profit of the Group recorded an increase of approximately 21.62% from approximately RMB1,247.15 million for the year ended 31 December 2015 to approximately RMB1,516.80 million for the year ended 31 December 2016 mainly due to the improvement in selling prices. However, the gross profit of the Group for the six months ended 30 June 2017 recorded an increase by approximately 51.27% from approximately RMB776.07 million for the six months ended 30 June 2016 to approximately RMB1,173.98 million for the six months ended 30 June 2017 mainly due to the significant increase in the price of cement for the period.

The profit of the Group decreased approximately 11.97% to approximately RMB249.57 million for the year ended 31 December 2016 mainly due to the decrease on the gain on fair value change of derivative financial assets. The profit of the Group then increased by approximately 200.93% from approximately

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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RMB162.87 million for the six months ended 30 June 2016 to approximately RMB490.13 or the six months ended 30 June 2017 mainly due to the improvement of gross profit margin.

The representatives of the Company advised that the results of the Group for the year ended 31 December 2016 and for the six months ended 30 June 2017 was mainly contributed from the Cement Group.

***b. Tianrui Finance***

As stated in the Letter from the Board, Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC. Its establishment was approved by the CBRC on 20 July 2015 and it is authorised to provide a variety of financial services including the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; provision of guarantees to member companies and dealing with entrusted loans among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; provision of loans and finance leasing services to member companies; provision of intra-group funds transfer and settlement services to member companies.

The scope of business of Tianrui Finance includes: the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; performing authorized insurance agency business, provision of guarantees to member companies and dealing with entrusted loans or investments among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies and conducting inter-bank borrowing and lending.

As at the Latest Practicable Date, Tianrui Finance had a registered capital of RMB1 billion which was owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 5.25% by Tianrui Foundry and as to 23% by Tianrui Travel Development.

*Regulatory environment of Tianrui Finance*

As a licensed non-bank financial institution in the PRC, Tianrui Finance is regulated and supervised by the PBOC and the CBRC under the Administrative Measures for Enterprise Group Finance Companies (the

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“Administrative Measures”, 企業集團財務公司管理辦法). According to the Administrative Measures, Tianrui Finance must comply with the below risk monitoring indicators as imposed by CBRC.

Based on the information provided by the representatives of the Company, the table below sets out the risk monitoring indicators as imposed by CBRC and the respective indicators of Tianrui Finance as at 31 December 2016 and 30 June 2017.

Financial ratio (Note 3)	Formula	Requirement	Financial ratios of Tianrui Finance	
			As at 31 December 2016	As at 30 June 2017
資本充足率 (Capital adequacy ratio)	Net Capital/Total Risk-Weighted Assets	Not less than 10%	45.24%	76.99%
不良資產率 (Non-performing asset ratio)	Non-performing Assets/Total Assets with Credit-risk	Not more than 4%	Nil(Notes 1)	Nil(Notes 1)
不良貸款率 (Non-performing loan ratio)	Non-performing Loans/Total Loans	Not more than 5%	Nil(Notes 1)	Nil(Notes 1)
資產損失準備充足率 (Asset loss provision adequacy ratio)	Actual Provision for Loss for Assets with Credit-risk/Required Provision for Loss for Assets with Credit-risk	Not less than 100%	100%	100%
貸款損失準備充足率 (Loan loss provision adequacy ratio)	Actual Provision for Loan Loss/Required Provision for Loan Loss	Not less than 100%	100%	100%
流動性比例 (Liquidity ratio)	Current Assets/Current Liabilities	Not less than 25%	50.2%	321.62%
自有固定資產比例 (Fixed assets ratio)	Total Fixed Assets/Total Equity	Not more than 20%	Nil(Notes 2)	Nil(Notes 2)
短期證券投資比例 (Short-term securities investment ratio)	Short-term Security Investment/Total Equity	Not more than 40%	Nil(Notes 1)	Nil(Notes 1)
長期投資比例 (Long-term investment ratio)	Long-term investment/Total Equity	Not more than 30%	Nil(Notes 1)	Nil(Notes 1)
拆入資金比例 (Interbank borrowing funds ratio)	Total Interbank Borrowing/Total Equity	Not more than 100%	Nil(Notes 1)	Nil(Notes 1)
擔保比例 (Guarantee ratio)	Guarantee Risk Exposure/Total Equity	Not more than 100%	93.34%	29.19%

*Notes:*

1. Since Tianrui Finance did not have the related items, such as non-performing asset, bad loan, short-term securities investment, long-term investment and borrowing, as at the above said date, the related ratio recorded as zero.
2. Tianrui Finance had fixed asset of approximately RMB2, 840.0 and RMB2, 484.9 as at 31 December 2016 and 30 June 2017 respectively. Thus own fixed assets ratio closed to zero and as the result, the own fixed assets ratio are recorded as “Nil”.

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**LETTER FROM THE INDEPENDENT FINANCIAL ADVISER**

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3. The English term of the financial ratios is the translation of the Chinese term of the financial ratio. It should not be regarded as the official English term of such Chinese term.

As shown in the table above, we noted that Tianrui Finance complied with the risk monitoring indicators as imposed by CBRC as at 31 December 2016 and 30 June 2017. The representatives of the Company advised that, up to the Latest Practicable Date, there was no record of non-compliance with the relevant laws, rules and regulations of the PRC applicable to the Finance Company.

*Financial performance of Tianrui Finance*

The table below sets out certain financial information of Tianrui Finance according to the audited report of Tianrui Finance for the year ended 31 December 2016 and the management accounts of Tianrui Finance for the six months ended 30 June 2017.

	<b>For the year ended 31 December</b>		<b>For the six months ended 30 June</b>
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Revenue	5,753.8	18,067.4	9,760.0
Profit	774.8	12,147.5	3,982.7
	<b>As at the year ended 31 December</b>		<b>As at the year ended</b>
	<b>2015</b>	<b>2016</b>	<b>30 June</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Net Asset Value	300,774.8	312,922.3	1,016,905.0

According to the Administrative Measures, a finance company has to suspend part of its operation in the event it incurs a loss more than 30% of its registered capital in a year or incur a loss more than 10% of its registered capital for three consecutive years. We noted from the table that Tianrui Finance has recorded a profit of approximately RMB0.7 million, RMB12.1 million and RMB4.0 million for the year ended 31 December 2015 and 2016 and the six months ended 30 June 2017. Furthermore, we noted from the table that the net asset value of Tianrui Finance has increased to 1,016.9 million mainly due to the increase of share registered capital. As a result, we

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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understand that Tianrui Finance recorded a profit in the previous years and there is no indication that the operation of the Tianrui Finance will be suspended.

Based on the above, we have no reason to doubt the eligibility of the Tianrui Finance in providing the deposit services to the Group.

We concur with the Directors' view that the risk of placing deposits with Tianrui Finance can be effectively controlled and monitored as (i) Tianrui Finance is a non-bank financial institution subject to the regulation of CBRC. Tianrui Finance complied with the risk monitoring indicators as imposed by CBRC as at 30 June 2017 and 31 December 2016; (ii) Tianrui Finance is a profit making company which has no indication that the operation of the Tianrui Finance will be suspended under the CBRC regulation; (iii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; and (iv) as the Company is an indirect shareholder of Tianrui Finance and a director of Tianrui Finance is recommended by the Company, it would have better access and understanding of information about the regulated operation in relation to the general meeting of shareholders, board of directors and risk control committee of Tianrui Finance in order to promptly safeguard its own interests.

### **2. Reasons and benefits of the Deposit Services**

As stated in the Letter from the Board, the Company entered into the Deposit Services Agreement after considered that:

- (1) the interest rate(s) offered to the member(s) of the Cement Group by Tianrui Finance for Deposit Services shall be higher than (i) the deposit rate(s) announced by the PBOC; and (ii) deposit rate(s) offered by major commercial banks in the PRC to the member(s) of the Cement Group, for comparable deposits, are on equal or better terms than those available from independent third parties; and
- (2) the deposit services provided by independent third parties in preceding years and the services under the Deposit Services to be provided by Tianrui Finance is similar in nature, such as the terms and the related offered service. In addition, the Cement Group requires the Deposit Services for its daily operation, which are in the ordinary and usual course of business of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (3) Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC and is authorized to provide a variety of financial services including deposit services by PRC laws and regulations. Despite it cannot accept deposits from the general public, open general bank accounts and issue electronic bank debit cards, its operation is basically the same as the other commercial banks. Although Tianrui Finance not a bank, it is authorized by the PRC law and is capable of providing financial services.

After taking into account (i) the Cement Group requires deposit services, which is in the ordinary and usual course of business; (ii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) the Deposit Services provides the flexibility, and does not impose an obligation, to the Cement Group to procure the Deposit Services from Tianrui Finance; and does not prevent the Cement Group from using services provided by independent financial institutions. The Group retains the discretion to select its financial service provider according to its business needs as well as the fees and quality of the relevant services; (iv) the Company will closely monitor the financial position of Tianrui Finance as further discussed in the paragraph headed “Background information of the parties to the Deposit Services Agreement” above; and (v) the interest rate(s) offered to the member(s) of the Cement Group for Deposit Services shall be higher than those offered by independent financial institutions as further discussed below, we are of the view that the Deposit Services is in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

In addition, the Independent Shareholders should also note that the cash of the Group might be concentrated in Tianrui Finance in the future, and such deposits might be subject to liquidity risk in case the Group retrieves a substantial deposit amount from Tianrui Finance. Nonetheless, taking into account, in particular (i) Tianrui Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures as at 30 June 2017 and such financial ratio regulation are designed by CBRC to enhance the risk management and the capability of risk resistance; (ii) the general risk of Tianrui Finance as a non-bank financial institution are not greater than that of the PRC commercial banks; (iii) there are several alternatives for Tianrui Finance to obtain sufficient fund in order to fulfill its obligation in any extreme situation and the amount available for Tianrui Finance to sell its loan should be greater than the amount deposited by the Cement Group in Tianrui Finance given the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group, we are not aware of any major factor which would lead us to cast doubt on the ability of Tianrui Finance to fulfill its obligation on repaying deposit.

As shown in the paragraph headed “b. Tianrui Finance — *Regulatory environment of Tianrui Finance*” under the section headed “Background information of the parties to the Deposit Services Agreement” above, Tianrui Finance complied with the risk monitoring indicators as imposed by CBRC as at 31 December 2016 and 30 June 2017.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Furthermore, we have reviewed 2017 Major Supervisory Indicators of Commercial Banking Institutions\* (商業銀行主要監管指標情況表 (2017)) published on the website of the CBRC on 10 November 2017 and understand the capital adequacy ratio, bad debt ratio and current ratio of the commercial bank in the second quarter of 2017 was approximately 13.16%, 1.74% and 49.52% respectively. As compared to the related financial ratio of Tianrui Finance of approximately 76.99%, nil and 321.62% as at 30 June 2017, Tianrui Finance had a better financial ratio than those of commercial bank. Thus the general risk of Tianrui Finance as a non-bank financial institution are not greater than that of the PRC commercial banks.

As advised by the representatives of the Company, in case when the members of the Cement Group request to retrieve a significant amount of deposit from Tianrui Finance which Tianrui Finance requires external fund to satisfy the deposit retrieval request. There are alternatives to obtain additional fund to fulfill its obligation, such as (i) interbank borrowing; (ii) sales of loan and credit asset; (iii) rediscounted bill from PBOC; and (iv) making loan from PBOC. In addressing the concern on Tianrui Finance ability to repay the deposit requested by Cement Group in a timely manner, the representatives of the Company advised that funds through interbank borrowing to be obtained by Tianrui Finance is sufficient to cover the maximum of the Deposit Services Annual Caps. According to Measures for the Administration of Interbank Borrowing\* (同業拆借管理辦法) published by the People's Bank of China, the maximum amount of interbank borrowing should not exceed the paid-up capital of Tianrui Finance and Tianrui Finance should record a profit in the previous two years. We have obtained and reviewed the business license of Tianrui Finance and noted the registered capital of Tianrui Finance is RMB1,000 million. Moreover, according to the web site of National Interbank Funding Center, which is an entity under the People's Bank of China, the settlement time on the interbank borrowing can be on the same day or a day after the loan is agreed. As shown in the news published in the web site of National Interbank Funding Center in August 2017, Tianrui Finance is allowed to conduct borrowing/lending under the interbank borrowing market. Moreover, the Company has completed borrowing transaction through interbank borrowing market in the past. Tianrui Finance will daily monitor the total available funds can be borrowed by Tianrui Finance in interbank borrowing (i.e. the capital of Tianrui Finance minus the loan from interbank borrowing) (the "**Total Available Fund**") against the total amount deposited by the Cement Group with Tianrui Finance to ensure Total Available Fund shall over the total amount of such deposits. When the Total Available Fund reach the level of total deposited by the Cement Group with Tianrui Finance, Tianrui Finance shall (i) not accept any additional deposit made by the Cement Group; and (ii) cease to enter any new borrowing in the interbank borrowing market, until certain borrowings from the interbank borrowing market is repaid, which led to the Total Available Fund above the total amount deposited by the Cement Group with Tianrui Finance. Based on aforesaid research, after considering (i) there are several channels for Tianrui Finance to fulfill its obligation upon receiving deposit retrieval request; (ii) the maximum amount of interbank borrowing can be up to but not exceed the paid-up capital of Tianrui Finance, which is RMB1,000 million which is equal to the maximum of the deposit Services Annual Caps; (iii) the transactions settlement time on the interbank borrowing can be on the same day or a

day after the loan is agreed; and (iv) Tianrui Finance will daily monitor the level of the total amount deposited by the Cement Group with Tianrui Finance against the Total Available Fund to ensure Tianrui Finance is capable to fulfill its obligation on Cement Group's deposit retrieval request, we have no reason to doubt of the availability of channels for Tianrui Finance to meet the Cement Group's deposit retrieval request in a timely manner. The Independent Shareholders should note that the capability of Tianrui Finance to meet the Cement Group's deposit retrieval request in a timely manner might rely solely on the interbank borrowing and the risk to fulfill its obligation in a timely manner is subject to the financial status of Tianrui Finance, the environment and regulation in the interbank borrowing market and the capability of Tianrui Finance to reach the loan with the members of the interbank borrowing market.

### **3. Principal terms of the Deposit Services Agreement**

The principal terms of the Deposit Services Agreement have been set out in the Letter from the Board and are summarized below.

According to the Financial Services Agreement, Tianrui Finance shall provide the Cement Group with the Deposit Services for the period from the Effective Date to 31 December 2019. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. The interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC; and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The interest accrued for the deposits is payable every quarter. We are of the view that the above pricing policies are fair and reasonable so far as the Independent Shareholders are concerned, as no less favourable rate will prevail.

According to the Financial Services Agreement, the daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the year ending 31 December 2017, 2018 and 2019 shall not exceed RMB700 million, RMB1 billion and RMB1 billion. However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, i.e. the total outstanding loan balance provided by Tianrui Finance to the Cement Group pursuant to the Financial Services Agreement. In the event of any default by Tianrui Finance as a result of which the Cement Group not being able to recover the amount deposited with Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. We are of the view that the above arrangement can provide protection to the Group in the event that Tianrui Group defaults its payment under the Deposit Services.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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According to the Financial Services Agreement, the funds deposited to Tianrui Finance by the Cement Group shall not be used to finance any other entities which are engaged in business competes with the business of Cement Group. We are of the view that such non-competition clause can prevent such funds provide indirect financial support to the competitors of Cement Group.

Taking into account, (i) the pricing terms of the Deposit Services Agreement shall be no less favourable than those offered by independent third parties for comparable services; and (ii) the offset mechanism of loan provided by Tianrui Finance and its affiliates to the Cement Group against the deposit placed by the Cement Group with Tianrui Finance provides protection to the Cement Group under the Deposit Services Agreement, we are of the view that the terms of the Deposit Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

#### 4. The Deposit Services Annual Caps

The following table sets out the Maximum monthly outstanding balances of deposit maintained with commercial banks (excluding accrued interest) and Deposit Services Annual Caps:

	From 1 January to 31 December 2015 <i>(RMB)</i> <i>million</i>	From 1 January to 31 December 2016 <i>(RMB)</i> <i>million</i>	From 1 January to 30 September 2017 <i>(RMB)</i> <i>million</i>	From Effective Date to 31 December 2017 <i>(RMB)</i> <i>million</i>	From 1 January to 31 December 2018 <i>(RMB)</i> <i>million</i>	From 1 January to 31 December 2019 <i>(RMB)</i> <i>million</i>
The Deposit Services Maximum monthly outstanding balances of deposit maintained with commercial banks (excluding accrued interest)	—	—	—	700	1,000	1,000
	1,564.94	971.82	1,284.16	N/A	N/A	N/A

We noted from the table that although the maximum monthly outstanding balances of deposit (excluding accrued interest) of the Cement Group for the two years ended 31 December 2016 and for the nine months ended 30 September 2016 fluctuated, the maximum monthly outstanding balances of deposit are greater than or close to the Deposit Services Annual Caps. As a result, we consider the Deposit Services Annual Caps are justifiable as compare to the historical maximum monthly outstanding balances of the Cement Group.

The representatives of the Company advised that the fluctuation in the maximum monthly outstanding balances of deposit (excluding accrued interest) of the Cement Group for the year ended 31 December 2016 was mainly due to the fluctuation in the financial performance of the Group of the year as stated in the paragraph headed “Background information of the parties to the Deposit Services Agreement” above while the fluctuation in the maximum monthly outstanding balances of deposit (excluding accrued interest) of the Cement Group for the nine months ended 30 September 2016 was due to the same reason. The representatives of the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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advised that the maximum monthly outstanding balances of deposit (excluding accrued interest) for the years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017 are the most available information in assessing the Deposit Services Caps as the Company did not maintain the maximum daily outstanding balance of deposit (including accrued interest) for the years ended 31 December 2015 and 2016 and the nine months ended 30 September 2017. Given the maximum daily outstanding balance of deposit (including accrued interest) may be greater than and at least equal to the maximum monthly outstanding balances of deposit (excluding accrued interest), we consider that it is prudent to use the maximum monthly outstanding balances of deposit (excluding accrued interest) in assessing the Deposit Services Annual Caps.

As advised by the representatives of the Company, upon the approval of the Deposit Services Agreement and the Deposit Services Annual Cap, Tianrui Finance will provide the information of the relevant commercial bank account (the “**Tianrui Finance Account**”) to the Cement Group for making deposit. The Cement Group will make deposit directly to the Tianrui Finance Account after notified Tianrui Finance on the relevant deposit. The representatives of the Company advised that the Company will make current deposit and time deposit according to the funding need of the Group at the time of making deposit. For retrieving the current deposit, the Cement Group will verbally notify Tianrui Finance a day before the application of retrieving deposit for the amount RMB10 million or above. For retrieving the time deposit, the Cement Group should also verbally notify Tianrui Finance in advance before the application of retrieving deposit if the Cement Group want to withdraw before the due date of the time deposit. The above arrangements are similar to operation flows of the Cement Group with the commercial banks in the PRC. In this regard, we have (i) discussed with the representative of the Company and understood that the application process of retrieving deposit of the Company with the commercial banks in the PRC; and (ii) reviewed the documents of the member company application of retrieving deposit from Tianrui Finance and understood that the application process of retrieving deposit of the member company with the Tianrui Finances.

As advised by the representatives of the Company, certain treasury management procedures of Tianrui Finance will ensure Tianrui Finance has sufficient funds to satisfy the deposit retrieval requests by Cement Group in timely manner. After receiving the deposit retrieval request a day before application for the retrieval amount over RMB10 million, the settlement department of Tianrui Finance will check and reserve the sufficient amount of fund through the software system for the member of Cement Group to retrieve on the next day. When Tianrui Finance does not have sufficient funds for the member of Cement Group to retrieve on the next day, the treasury section of the finance department of Tianrui Finance will calculate the shortfall of the requested deposit amount and seek for the approval from general manager or CFO of Tianrui Finance to proceed interbank borrowing in regard to the shortfall. The treasury section of the finance department, who is responsible for interbank borrowing will seek for quotation and lender through the interbank borrowing market and prepare the borrowing plan (including borrowing amount, duration, interest rate and the counter party, etc). Such borrowing shall be approved

by the deputy general manager of Tianrui Finance for execution. For the interbank borrowing amount over RMB10 million, it shall be approved by the general manager and chairman of Tianrui Finance for execution.

Given (i) the Deposit Services provides the option, not an obligation, for the Cement Group to deposit its cash with Tianrui Finance; (ii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) the maximum monthly outstanding balance of deposit (excluding accrued interest) of the Cement Group for the year ended 31 December 2015 and the nine ended 30 September 2017 was greater than the Deposit Services Annual Caps; (iv) the maximum monthly outstanding balance of deposit (excluding accrued interest) of the Cement Group for the year ended 31 December 2016 and the six months ended 30 June 2017 approximated to the Deposit Services Annual Caps; and (v) Tianrui Finance has the same operation flow and the same time required in making deposit/retrieving deposit as commercial banks as mentioned above and thus there will not have material influence on the Cement Group in daily operation due to the use of the deposit service from Tianrui Finance instead of commercial banks, we consider that it is prudent in determining the Deposit Services Annual Caps based on the maximum monthly outstanding balance of deposit (excluding accrued interest) of the Cement Group for the year ended 31 December 2016 and the six months ended 30 September 2017 and the Deposit Services Annual Caps determined based on reasonable estimation and after due and careful consideration and is fair and reasonable so far as the Company and the Independent Shareholders are concerned.

Shareholders should note that as the Deposit Services Annual Caps is relating to future events and was estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2019, and they do not represent the deposit to be placed with Tianrui Finance by the Cement Group. Consequently, we express no opinion as to how closely the actual deposit to be placed with Tianrui Finance by the Cement Group will correspond with the Deposit Services Annual Caps.

## **5. Internal Control and Risk Management**

As stated in the Letter from the Board, the Company will conduct a certain procedure to ensure each of the transactions contemplated in the Deposit Services Agreement are and on normal commercial terms and in the interest of the Company and the Shareholders as a whole, the detail of which are set out in paragraph headed “Internal Control and Risk Management of the Company” in the Letter from the Board.

According to the internal control procedure provided by the Company, the internal control procedure of the Deposit Services of the Group are the following:

- (a) When the Deposit Services under the Deposit Services Agreement to be utilized by the Cement Group, the head of the finance department of the Group is/are responsible for the comparing of the rate(s) offered by Tianrui Finance against the deposit rate(s) announced by the PBOC, and further

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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against the deposit rate(s) offered by at least three major commercial banks in the PRC, to confirm the rate(s) offered by Tianrui Finance are more favorable to the Cement Group. The interest rate comparison for current deposit will be made by the finance department monthly or when benchmark rate published by PBOC is changed and submitted to the Cement Group's CFO for review, verification and approval. For the independent works in this regard, we have interviewed (i) the head of finance department of the Group and he is aware of the finance department's responsibility of interest rate comparison and generating related report on each of the deposit transaction; and (ii) the Company's CFO and he is responsible for reviewing and approving a monthly report with aforesaid Tianrui Finance's deposit rate comparison.

- (b) To ensure that the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, firstly, certain staff in the finance department of the Cement Group is/are assigned to conduct manual checks on the loan amount before deposit is made. Furthermore, the computing software systems to record and monitor the amount deposited by the Cement Group with Tianrui Finance will notify the finance department if the amount is about to reach the loan amount. Cement Group will check the amount deposited to Tianrui Finance before the Cement Group repays a loan due to Tianrui Finance. For the independent work in this regard, we have interviewed the head of the finance department and he is aware of the finance department's responsibility to monitor the level of the Cement Group's loan received from Tianrui Finance and the level of Cement Group's deposit placed to Tianrui Finance.
- (c) A daily report will be generated by the Cement Group's finance department which shows (i) the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (ii) the total amount deposited by the Cement Group with Tianrui Finance; (iii) the Deposit Service Annual Cap; and (iv) the available deposit amount can be utilized by Cement Group. Such daily report shall be reviewed and approved by the Company's CFO to ensure the total amount deposited by the Cement Group with Tianrui Finance shall not exceed (i) total loan outstanding balance provided by Tianrui Finance to the Cement Group; and (ii) the Deposit Service Annual Cap. For the independent works in this regard, we have interviewed (i) the head of the finance department of the Group and he is aware of the finance department's responsibility of generating a daily report with total amount of deposit comparison against the total amount of loan and the Deposit Service Annual Cap; and (ii) the Company's CFO and he is aware of his responsibility for reviewing and approving a daily report with total amount of deposit comparison against the total amount of the loan and the Deposit Service Annual Cap.

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- (d) The Company's CFO has been appointed as one of the directors of Tianrui Finance and is responsible for the management and day-to-day operation of Tianrui Finance and also to ensure the financing from Tianrui Finance shall not be given to other entities which engaged in business competes with that of the Group. He will report any non-compliance and issues regarding to the internal control policies or financial to the Company immediately. For the independent work in this regard, we have interviewed the Company's CFO and he is aware of his responsibility for the management and day-to-day operation of Tianrui Finance and reporting any related non-compliance to the Group and also ensuring the financing from Tianrui Finance shall not be given to other entities which engaged in business competes with that of the Group.
- (e) Quarterly reports about business performance, compliance, deposits and loans, and other services, and the financial statements (including profits and loss accounts and balance sheet) of Tianrui Finance prepared by Tianrui Finance in accordance with the related rules and regulations of CBRC, will be sent to the Cement Group and the Company for review and monitoring by the Audit Committee. For the independent work in this regard, we have interviewed the chairman of the Audit Committee and he is aware of his responsibility of reviewing and monitoring the quarterly report related to business performance, compliance, deposits and loans, and other services, and the financial statements of Tianrui Finance.
- (f) As mentioned in the Deposit Services Agreement, the Cement Group will review all the monitoring reports submitted to the CBRC to ensure the compliance. Tianrui Finance shall notify the Cement Group in writing within two business days once there are any non-compliance issues or penalties imposed by the CBRC. For the independent work in this regard, we have interviewed the Company's CFO and he is aware of his responsibility of reviewing and monitoring reports submitted to the CBRC.

Furthermore, we have reviewed the 2016 Annual Report and noted that the independent non-executive directors have reviewed and confirmed that the continuing connected transactions have been entered into (i) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favourable to us than terms available to or from independent third parties; and (ii) not in the normal and ordinary course of business of the Group, but on commercial terms more favourable to the Group; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole. Moreover, the auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed in the 2016 Annual Report by the Group in accordance with Rule 14A.56 of the Listing Rules. The representatives of the Company advised that the Company will continue to comply with the relevant Listing Rules requirements on an ongoing basis.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Given that (i) there are sufficient internal procedure for the Group to ensure that the deposit interest rates to be offered by the Tianrui Finance to the Cement Group will not be lower than the interest rates of the PBOC's benchmark interest rate, and the interest rate offered by major commercial banks in the PRC for similar deposits of similar terms; (ii) there are sufficient internal procedure for the Group to ensure the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) there are sufficient internal procedure for the Group to ensure the Tianrui Finance has a healthy operation and financial status which reduces the possibility of default; and (iv) the relevant persons of the Company as mentioned above understand their responsibilities to implement the internal control procedure upon Completion. We are of the view that the internal control procedures are sufficient in place to ensure every transactions contemplated under the Deposit Services Agreement will be conducted on normal commercial terms and fair and reasonable and in the interests of the Company and its Shareholders as a whole.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the Deposit Services is in the ordinary and usual course of business of the Group, the terms of the Deposit Services Agreements are on normal commercial terms, fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and the Deposit Services Annual Caps is fair and reasonable. Therefore, we advise (i) the Independent Board Committee to recommend to the Independent Shareholders that they vote in favor of the relevant resolution to approve the Deposit Services Agreement and the Deposit Services Annual Cap at the EGM; and (ii) the Independent Shareholders to vote in favor of the relevant resolution to approve the Deposit Services Agreement and the Deposit Services Annual Cap at the EGM.

Yours faithfully,  
For and on behalf of  
**TC Capital International Limited**  
**Edward Wu**  
*Chairman*

*Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.*

*The English translation of the China name(s) in this letter, where indicated with \* is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.*

## 1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this Circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2014, 2015 and 2016 together with the relevant notes to the financial statements of the Company can be found on the annual report of the Company for the year ended 31 December 2014, 2015 and 2016. Please see below the hyperlinks to the said annual reports:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427515.pdf>  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN201604261229.pdf>  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429369.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business of 30 September 2017, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group has outstanding borrowings and indebtedness of approximately RMB12,232.4 million comprising bank loans of RMB6,514.6 million (bank loans include secured bank loans of approximately RMB3,687.4 million, which are secured by assets of the Group and shares of the Group's subsidiary; and unsecured bank loans of approximately RMB2,827.1 million, of which guaranteed bank borrowings are of approximately RMB1,800.5 million, unguaranteed bank loans are approximately RMB1,026.6 million), issued and outstanding medium-term bills are of approximately RMB2,620 million, long-term corporate debts are of approximately RMB3,075 obligations under financial guarantee contract of approximately RMB22.8 million. The annual caps for the guaranteed amount for the second 12 months period provided by the Group to Tianrui Group and its subsidiaries was RMB2,500 million. As at 30 September 2017, bank borrowings of approximately RMB2,442 million are secured by the guarantee provided by Group for Tianrui Group.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2017.

## 3. WORKING CAPITAL

Taking into account the financial resources of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirement, that is, for at least the next 12 months from the date of this Circular.

## 1. RESPONSIBILITY STATEMENT

This Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in the compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief, the information contained in this Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this Circular misleading.

## 2. DISCLOSURE OF INTERESTS

### Directors' and Senior Management' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at Latest Practicable Date, the interests and short positions of our Directors and chief executives in the shares, underlying shares or debentures of the Company or any of our 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 <sup>(1)</sup>	Interest of corporation controlled by the director/Long position	1,986,984,822	67.62
	Short position	440,000,000	14.97

- (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. Holy Eagle and Yu Qi are wholly owned by Tianrui (International) Holding Company Limited (“Tianrui International”) respectively. Tianrui Group is 70% owned by Chairman Li and 30% owned by Ms. Li Fengluan, the spouse of Chairman Li respectively. Mr. Li Liufa is deemed to be interested in the shares held by Yu Kuo.

Save as disclosed above, as at Latest Practicable Date, 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.

As at Latest Practicable Date, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
Tianrui Group	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa	Interest of corporation controlled by the director/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	1,986,984,822	67.62
	Short position <sup>(2)</sup>	440,000,000	14.97
The Export- Import Bank of China	Party with security interest over the shares/Long position	515,000,000	17.53
Ministry of Finance of the PRC	Party with security interest over the shares/Long position	515,000,000	17.53
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.	Party with security interest over the shares/Long position	300,000,000	10.21
China Huarong International Holdings Limited	Party with security interest over the shares/Long position	300,000,000	10.21

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Right Select International Limited	Party with security interest over the shares/Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21

- (1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle and Yu Qi are wholly owned by Tianrui International respectively, 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 the Latest Practicable Date, Yu Kuo pledged its 440,000,000 shares (approximately 14.97% of the issued share capital of the Company) held in the Company to the financial institution specified by the institutional lenders in order to fulfil the conditions of securing a loan from the lenders.

Saved as disclosed above, as at Latest Practicable Date, no other person has any interest or short position which shall be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates that has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group, save and except for the following:

#### (1) Ruiping Shilong

Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) (“**Ruiping Shilong**”) is a limited liability company incorporated in the PRC, of which 40% is owned by Tianrui Cement (the Company’s wholly-owned subsidiary) and 60% is owned by Ruiping Power. Ruiping Power is held by Tianrui Foundry (indirectly and jointly wholly-owned by Chairman Li and Mrs. Li (Chairman Li’s spouse)) as to 40% and by an Independent Third Party as to 60%. Ruiping Shilong is engaged in manufacturing and selling clinker in certain areas of Henan province, so its business competes with the Company’s clinker operation in those areas.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Ruiping Shilong. The controlling shareholders currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

#### (2) Shanshui Cement

As of the Latest Practicable Date, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li, has acquired a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) (“**Shanshui Cement**”, a company which is listed on the Main Board of the Stock Exchange of Hong Kong Limited) representing approximately 28.16% issued share capital of Shanshui Cement. Shanshui Cement is engaged in production of clinker and cement in China.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Shanshui Cement. The Company has an option to acquire the shares in Shanshui Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent financial performance of Shanshui Cement.

#### 4. MATERIAL CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 5. FINANCIAL AND TRADING PROSPECTS

In the face of the global economic downturn, the increased instability of the international environment, and the fact that the domestic economic growth has not fundamentally changed in 2017, the Chinese government has set the goals that the GDP was to increase by 6.5%, the energy consumption per unit of GDP was to decline by more than 3.4%, and the main pollutant emissions was to continue to decline, etc. Meanwhile, it had also put forward the target to adhere to the reform of the supply-side, to promote the upgrading of consumption and effective investment phase, regional urban and rural development coordination, to enhance the lasting pulling functions of domestic demands for economic growth, to deepen the cooperation between the government and social capital, thus setting the direction for economic growth in 2017. The Central Government of China has determined to complete the railway construction investment of RMB800 billion and the road and water transport investment of RMB1.8 trillion, before commencing 15 major water conservancy projects and more than 2,000 km of urban underground integrated corridor construction, to promote the construction of Sponge City, and to continue to strengthen the rail transport, civil aviation and other major project construction in 2017. These policies and goals will inevitably lead to increased investment in infrastructure projects, while the real estate industry's inventory and recovery will support the stable cement demands.

In the macro-control context of the supply-side reform and reduction of overcapacity, the cement industry will face the trends of prohibiting new capacity, eliminating backward production capacity, promoting joint restructuring, implementing alternative production arrangements, upgrading cement products, developing new materials and strengthening the greening and environmental-protection, etc. As one of the 12 major national cement companies recognized by the Chinese government and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group has been encouraged to assume the responsibility of merging and consolidating the central cement market. To encourage the integration of the cement industry, the Chinese government has provided support for designated companies, such as tax incentives and special projects or financing approvals. As the government requires the enhancement of environmental protection and the improvement of the air quality, the State Council has put forward the 24-hour online monitoring of all the key industrial pollution sources. The government has determined the compliance deadline of non-compliant enterprises and will close non-compliance enterprises after the due date uncompromisingly. In the face of the external policy of the cement industry, grasping opportunities to the fullest, we will continue to work on the integration and coordination of regional markets through internal structure adjustment and enhance our leading market positions in Henan and Liaoning by virtue of our own and policy advantages.

In addition, we will further expand the scope of the unified purchase of materials, strengthen fine management, and improve the production efficiency, so that we can further reduce the unit production costs and then maintain our leading positions in other markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors. In order to expand our market coverage, we will also put forward the strategic acquisition at the appropriate time.

## 6. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or claim of material importance and, so far as the Directors are aware, no litigation or claim of material importance was pending or threatened against any member of the Group.

## 7. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts or appointment letter with the Company or any other member of the Group save for those expiring or determinable by the relevant employer within one year without payment of compensation, other than statutory compensation.

## 8. DIRECTORS' AND SUPERVISORS' INTEREST IN ASSETS OR CONTRACTS

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for (i) the clinker supply framework agreement dated 25 March 2014 (“**Clinker Supply Framework Agreement**”), (ii) the limestone supply framework agreement dated 25 March 2014 as disclosed in the announcement dated 25 March 2014 (“**Limestone Supply Framework Agreement**”), (iii) the definite JV memorandum dated 21 August 2015 (“**Definite JV Memorandum**”) as disclosed in the announcement dated 23 August 2015, (iv) the framework agreement disclosed in the announcement dated 24 September 2015 (“**2015 Framework Agreement**”), (v) the counter guarantee agreement disclosed in the announcement dated 24 September 2015 (“**2015 Counter Guarantee Agreement**”), (vi) the acquisition agreement dated 25 November 2016 as disclosed in the announcement of the Company dated 25 November 2016 (“**2016 Acquisition Agreement**”), (vii) the Clinker Supply Framework Agreement dated 30 December 2016 as disclosed in the announcement dated 30 December 2016 (“**2016 Clinker Supply Framework Agreement**”), (viii) the framework agreement disclosed in the announcement date 11 May 2017 (“**2017 Framework Agreement**”), (ix) the counter guarantee agreement disclosed in the announcement dated 11 May 2017 (“**2017 Counter Guarantee Agreement**”), (x) the Deposit Services Agreement disclosed in the announcement dated 6 October 2017 (“**2017**

**Deposit Services Agreement**”) and (xi) the Financial Services Agreement disclosed in the announcement dated 6 October 2017 (“**2017 Financial Services Agreement**”) the salient nature of which are as follows:

- (i) On 25 March 2014, Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) entered into the Clinker Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm’s length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Tianrui Cement (and/or its subsidiaries) to Ruiping Shilong (and/or its subsidiaries) for purchase of clinker for the three years ending 31 December 2016 shall not exceed RMB360,000,000, RMB480,000,000 and RMB480,000,000 respectively.
- (ii) On 25 March 2014, Ruiping Shilong (as purchaser) and Tianrui Cement (as supplier) entered into the Limestone Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which sets out the general terms and conditions for the purchase of the limestone by Ruiping Shilong from Tianrui Cement and/or its subsidiaries. The prices payable by Ruiping Shilong for the limestone will be agreed following arm’s length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan province, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Ruiping Shilong (and/or its subsidiaries) to Tianrui Cement (and/or its subsidiaries) for purchase of limestone for the three years ending 31 December 2016 will not exceed RMB60,000,000, RMB60,000,000 and RMB60,000,000 respectively.
- (iii) On 21 August 2015, Tianrui Cement (a wholly-owned subsidiary of the Company) and the JV Partners (Tianrui Group Company and its two subsidiaries being Tianrui Travel and Tianrui Foundry) have, at the date of this circular, entered into the Definitive JV Memorandum with respect to the contribution commitment to and the operation of JV Finance Company whose principal business activity is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group Company so as to cater for the financing needs of the Company and Tianrui Group Company. The contribution commitment of the JV Partners and Tianrui Cement to the JV Finance Company are RMB195,000,000 and RMB105,000,000 respectively, and the equity interest owned by the JV Partners and Tianrui Cement in the JV Finance Company amounted to 65% and 35% respectively. For further details, please refer to the announcement of the Company dated 23 August 2015.

- (iv) On 24 September 2015, Tianrui Group Company and Tianrui Cement entered into the 2015 Framework Agreement with a term from 27 November 2015 to 31 December 2017 (the “**Term**”). Pursuant to the 2015 Framework Agreement, Tianrui Group Company, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries (“**Tianrui Group Guarantee**”). According to the same agreement, Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group Company or any of its subsidiaries (“**Tianrui Cement Guarantee**”). The maximum daily balance of Tianrui Cement Guarantee is RMB2,500,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively. The maximum daily balance of Tianrui Group Guarantee is RMB6,000,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively.
- (v) On 24 September 2015, Chairman Li and Tianrui Cement entered into the 2015 Counter Guarantee Agreement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement’s obligations under the 2015 Framework Agreement.
- (vi) On 25 November 2016 (after trading hours), the Company and Tianrui Group Company entered into the 2016 Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares at a total consideration of RMB919,000,000. The Sale Shares represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The Acquisition has been completed on 7 June 2017. For further details, please refer to the announcement of the Company dated 7 June 2017.
- (vii) On 30 December 2016, Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) entered into the 2016 Clinker Supply Framework Agreement for a term commencing from 1 January 2017 to 31 December 2019, which sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm’s length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan province. The maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for the years ending 31 December 2017, 2018 and 2019 shall not exceed RMB200,000,000, RMB200,000,000 and RMB200,000,000 respectively.
- (viii) On 11 May 2017, the Company, Tianrui Group Company and Tianrui Cement entered into the 2017 Framework Agreement, pursuant to which the parties thereto have agreed to provide guarantees to each other.



- (ix) On 11 May 2017, the Company and Chairman Li entered into the 2017 Counter Guarantee Agreement, pursuant to which Chairman Li has agreed to indemnify the Company for any amount becomes payable by the Company or its subsidiaries in relation to the Company Guarantee.
- (x) On 6 October 2017, Tianrui Cement and Tianrui Finance entered into the Deposit Services Agreement, pursuant to which Tianrui Finance agree to provide the Cement Group Deposit Services.
- (xi) On 6 October 2017, Tianrui Cement and Tianrui Finance entered into Financial Services Agreement pursuant to which Tianrui Finance agreed to provide Cement Group with Credit Services and Settlement Services.

## 9. QUALIFICATION AND CONSENT OF EXPERT

The following is the qualification of the expert who has given its advice for inclusion in this Circular:

<b>Name</b>	<b>Qualification</b>
TC Capital International Limited	Independent financial adviser and a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulatory activities under the SFO

As at the Latest Practicable Date, TC Capital International Limited has given and has not withdrawn its written consent to the issue of this Circular with the inclusion of its letter and reference to its name and opinion in the form and context in which it appears.

As at the Latest Practicable Date, TC Capital International Limited did not have any shareholding in the Company or any other member of the Group or the right, whether legally enforceable or not, to subscribe for or to nominate persons to subscribe for securities in any other member of the Group.

## 10. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, the expert referred to in the paragraph named "Qualification and Consent of Expert" above does not have any interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. MATERIAL CONTRACTS

The following contracts, not being contracts in the ordinary course of business, were entered into by the members of the Group within two years preceding the Latest Practicable Date and are or may be material:

- (a) a deed of termination dated 24 March 2016 entered into between the Company and Tianrui Group Company to terminate the Terminated Acquisition Agreement, pursuant to which all antecedent obligations and liabilities of the parties under the Terminated Acquisition Agreement shall be absolutely discharged and released in all aspects with immediate effect and neither the Company nor the Tianrui Group Company would have any claim against the other under the Terminated Acquisition Agreement, details of which is set out in the announcement of the Company dated 24 March 2016;
- (b) 2016 Acquisition Agreement entered into between the Company and Tianrui Group Company on 25 November 2016, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares at a total consideration of RMB919,000,000. The Sale Shares represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The Acquisition has been completed on 7 June 2017, the details of which is set out in the announcement of the Company dated 7 June 2017;
- (c) 2016 Clinker Supply Framework Agreement, being the clinker supply framework agreement dated 30 December 2016 entered into between Tianrui Cement and Ruiping Shilon, pursuant to which Tianrui Cement has conditionally agreed to purchase clinker from Ruiping Shilong subject to the terms and condition therein, the details of which is set out in the circular of the Company dated 30 December 2016;
- (d) 2017 Framework Agreement, being the framework agreement dated 11 May 2017, entered into between Tianrui Group Company, Tianrui Cement and the Company, pursuant to which the parties have agreed to provide certain guarantees to each other, the details of which is set out in the Letter from the Board in this circular;
- (e) 2017 Counter Guarantee Agreement, being the counter guarantee agreement dated 11 May 2017, entered into between the Company and Chairman Li, pursuant to which Chairman Li has agreed to indemnify the Company for any amount becomes payable by the Company or its subsidiaries in relation to the Company Guarantee, the details of which is set out in the Letter from the Board in this circular;

- (f) 2017 Deposit Services Agreement, being the Deposit Services Agreement dated 6 October 2017, entered into between Tianrui Cement and Tianrui Finance pursuant to which Tianrui Finance agreed to provide the Cement Group with Deposit Services, subject to the terms and conditions to the details of which is set out in the announcement of the Company dated 6 October 2017; and
- (g) 2017 Financial Services Agreement, being the Financial Services Agreement dated 6 October 2017, entered into between Tianrui Cement and Tianrui Finance, pursuant to which Tianrui Finance agreed to provide the Cement Group with Credit Services and settlement subject to the terms and conditions therein, the details of which set out in the announcement of the Company dated 6 October 2017.

## 12. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Li Jiangming and Ms. Ng Ching Mei.
- (b) The registered office of the Company is situated at Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company is at No. 63 Guangcheng Road East, Ruzhou City, Henan Province, PRC.
- (c) The place of business in Hong Kong of the Company registered under Part 16 of the Companies Ordinance (Cap 622) is at Room 2005A, 20/F., Lippo Centre Tower 2, 89 Queensway, Admiralty, Hong Kong.
- (d) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

## 13. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of the Company, Room 2005A, 20/F, Tower 2, Lippo Centre, 89 Queensway, Admiralty, Hong Kong during normal business hours from 9:30 am to 6:30 pm on any business day for a period of 10 business days from the date of this Circular:

- (a) the articles of association of the Company;
- (b) the prospectus of the Company dated 14 December 2011 and the annual reports of the Company for the three years ended 31 December 2014, 2015 and 2016 and the interim report of the Company for the six months ended 30 June 2017;
- (c) the material contracts referred to in the paragraph above headed “**Material Contracts**” in this Appendix;
- (d) the Deposit Services Agreement;
- (e) the letter from Board, the text of which is set out in this circular;

- (f) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from TC Capital International Limited, the text of which is set out in this circular;
- (h) the consent letter of TC Capital International Limited as referred to in the section headed “**Qualifications and Consent of Expert**” in this Appendix II;
- (i) the material contracts referred to in the paragraph headed “**Material Contracts**” in this appendix II.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Tianrui Group Cement Company Limited (the “**Company**”) will be held at 10:30am on 29 December 2017 at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

### **ORDINARY RESOLUTION**

**“THAT**

- (i) the deposit services agreement (“**Deposit Services Agreement**”) dated 6 October 2017 entered into between Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) and Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司) (“**Tianrui Finance**”) (copy of which have been produced to the meeting marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) in relation to the provision of a range of deposit services by Tianrui Finance to Tianrui Cement and its subsidiaries (collectively, the “**Cement Group**”), including but not limited to the provision of the deposit services as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (ii) the proposed maximum daily outstanding balance of deposits placed by the Cement Group with Tianrui Finance (including any interest accrued therefrom) in the amount not exceeding RMB700 million, RMB1 billion and RMB1 billion for the years ending 31 December 2017, 2018 and 2019 be and is hereby approved;
- (iii) any one of the directors of the Company (each a “**Director**”) be and is hereby authorised to take all steps, for and on behalf of the Company, which are in his opinion necessary or expedient to implement and/or give effect to the terms of the Deposit Services Agreement; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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- (iv) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of The Deposit Services Agreement and the related proposed annual caps and the transactions contemplated thereunder or incidental to the Deposit Services Agreement and the related proposed annual caps and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the guarantee and are in the best interests of the Company.”

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

Ruzhou City, Henan Province, PRC, 12 December 2017

**Notes:**

- (a) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company’s share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.
- (b) In the case of joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the EGM, in person or by proxy, the vote of the joint holder whose name stands first in the register of members and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).
- (c) Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the EGM if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

*Chairman and non-executive Director*

Mr. Li Liufa

*Executive Directors*

Mr. Xu Wuxue and Mr. Li Jiangming and Mr. Ding Jifeng

*Non-executive Directors*

Mr. Li Heping and Mr. Yang Yongzheng

*Independent non-executive Directors*

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