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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 TRANSACTIONS REVISION OF ANNUAL CAPS

Reference is made to the 2016 December Announcement relating to, among others, the continuing connected transactions under the Clinker Supply Framework Agreement.

SUPPLEMENTAL CLINKER SUPPLY FRAMEWORK AGREEMENT

On 18 December 2017, Tianrui Cement and Ruiping Shilong entered into the Supplemental Clinker Supply Framework Agreement to increase each of the Annual Caps of the amount of clinker purchased by Tianrui Cement and/or its subsidiaries from Ruiping Shilong under the Clinker Supply Framework Agreement from RMB200,000,000 to RMB300,000,000 for the three financial years ending 31 December 2019.

IMPLICATIONS UNDER THE LISTING RULES

Since Chairman Li indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and therefore a connected person of the Company under the Listing Rules. As such, the transactions under the Clinker Supply Framework Agreement (as supplemented by the Supplemental Clinker Supply Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the revised Annual Caps exceed 0.1% but all the applicable percentage ratios are less than 5%, the revision of the Annual Caps is subject to reporting, announcement and annual review requirements, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Reference is made to the 2016 December Announcement relating to, among others, the continuing connected transactions under the Clinker Supply Framework Agreement for the purchase of clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong.

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SUPPLEMENTAL CLINKER SUPPLY FRAMEWORK AGREEMENT

Date

18 December 2017

Parties

Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier)

Duration

The Supplemental Clinker Supply Framework Agreement shall be effective from the date of approval of the Supplemental Clinker Supply Framework Agreement by the Board or 18 December 2017 (whichever is later) to 31 December 2019.

Revision of the Annual Caps

Pursuant to the Supplemental Clinker Supply Framework Agreement, the Annual Caps of the amount of clinker purchased by Tianrui Cement and/or its subsidiaries from Ruiping Shilong under the Clinker Supply Framework Agreement for the three financial years ending 31 December 2019 shall be increased as follows:

For the financial year ending 31 December	Original Annual Caps (RMB)	Revised Annual Caps (RMB)
2017	200,000,000	300,000,000
2018	200,000,000	300,000,000
2019	200,000,000	300,000,000

Basis of the revision of the Annual Caps

The revised Annual Caps have been determined by the Board, after arm's length negotiation between Tianrui Cement and Ruiping Shilong with reference to the market price, taking into account of the following two factors:

- (i) the unexpected substantial growth in the market price of clinker in 2017 and continuous increase in the market price of clinker for the two years ending 31 December 2019; and
- (ii) the anticipated continuous increase in the demands of Tianrui Cement and/or its subsidiaries for clinker for the two years ending 31 December 2019, which is mainly due to the increasing need to satisfy the Group's clinker requirements for producing cement products in the target market.

Save for the revision to the Annual Caps, all other terms of the Clinker Supply Framework Agreement shall remain unchanged and continue to be in effect.

BACKGROUND, REASONS AND BENEFIT FOR ENTERING INTO THE SUPPLEMENTAL CLINKER SUPPLY FRAMEWORK AGREEMENT

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors: (1) the market status and trend of the Group's target market, which attributes to the Group's continuously increase or slightly increasing need of external purchased clinker; (2) with the benefit of being within proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; and (3) the Group's long established relationship with Ruiping Shilong, Tianrui Cement entered into the Clinker Supply Framework Agreement with Ruiping Shilong.

Based on the anticipated continuing growth in the market price of clinker and the demand of the Group for clinker, the Directors are of the view that the aggregate purchase of clinker by Tianrui Cement and/or its subsidiaries for the three years ending 31 December 2017, 2018 and 2019 would increase. Therefore, the Annual Caps for the purchase amount for clinker under the Clinker Supply Framework Agreement for the three years ending 31 December 2017, 2018 and 2019 should be increased to meet the daily operation needs of Tianrui Cement.

The Directors (including the independent non-executive Directors) consider that the transactions under the Clinker Supply Framework Agreement as supplemented by the Supplemental Clinker Supply Framework Agreement (including the revision of the Annual Caps) are entered into the ordinary and usual course of businesses of the Group and are on normal commercial terms, and that the terms of such transactions are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

PRINCIPAL BUSINESS OF THE GROUP AND RUIPING SHLONG

The Group is principally engaged in production, sale and distribution of clinker and cement. Ruiping Shilong is mainly engaged in production, sale and distribution of clinker.

IMPLICATIONS UNDER THE LISTING RULES

Since Chairman Li indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and therefore a connected person of the Company under the Listing Rules. As such, the transactions under the Clinker Supply Framework Agreement (as supplemented by the Supplemental Clinker Supply Framework Agreement) constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios calculated by reference to Rule 14.07 of the Listing Rules in respect of the revised Annual Caps exceed 0.1% but all the applicable percentage ratios are less than 5%, the revision of the Annual Caps is subject to reporting, announcement and annual review requirements, but is exempt from independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

As Chairman Li (a non-executive Director and Controlling Shareholder of the Company) and Li Jiangming (an executive Director) indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, they were required to abstain and have abstained from voting on the board resolution approving the Supplemental Clinker Supply Framework Agreement. Save as disclosed above, none of the Directors has any material interest in the Supplemental Clinker Supply Framework Agreement and the transactions contemplated thereunder, and hence no Director was required to abstain from voting on the board resolution approving the Supplemental Clinker Supply Framework Agreement and the transactions contemplated thereunder.

DEFINITIONS

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

“2016 December Announcement”	the announcement of the Company dated 30 December 2016 relating to, among others, the Clinker Supply Framework Agreement
“Annual Caps”	the annual caps for each of the three years ending 31 December 2017, 2018 and 2019 under the Clinker Supply Framework Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors

“Chairman Li”	Li Liufa (李留法), the founder, chairman and a Controlling Shareholder of the Group
“Clinker Supply Framework Agreement”	the clinker supply framework agreement dated 30 December 2016 entered into between Tianrui Cement and Ruiping Shilong
“Company”	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiping Shilong”	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules

“Supplemental Clinker Supply Framework Agreement”	the supplemental agreement to the Clinker Supply Framework Agreement dated 18 December 2016 entered into between Tianrui Cement and Ruiping Shilong to revise the Annual Caps under the Clinker Supply Framework Agreement
“Tianrui Cement”	Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and an indirect wholly-owned subsidiary of the Company
“%”	per cent

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

Ruzhou City, Henan Province, PRC, 18 December 2017

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

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Xu Wuxue, 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