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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, 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 transferee or to the bank, stockbroker or other agent through whom the sale 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 AND DISCLOSEABLE TRANSACTION IN RELATION TO THE 2022 FRAMEWORK AGREEMENT: PROVISION OF MUTUAL GUARANTEES

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



A letter from the Board is set out on pages 4 to 17 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders 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 37 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 11:00 a.m. on Wednesday, 21 December 2022 at Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong is set out on pages EGM-1 to EGM-2 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). 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.

6 December 2022

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DEFINITIONS

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

“2019 Framework Agreement”	the agreement dated 8 November 2019, entered into between Tianrui Group Company, Tianrui Cement and the Company, pursuant to which the parties thereto have agreed to provide certain guarantees to each other
“2022 Framework Agreement”	the agreement dated 4 November 2022, entered into between Tianrui Group Company, Tianrui Cement and the Company, pursuant to which the parties thereto have agreed to provide certain guarantees to each other
“Annual Caps”	the annual caps for Company Guarantee and Tianrui Group Guarantee pursuant to the 2022 Framework Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“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
“Company Guarantee”	the guarantee provided by the Company to Tianrui Group Company (including its subsidiaries but, excluding its subsidiaries engaged in aluminum-related business) pursuant to the 2022 Framework Agreement or the 2019 Framework Agreement (as the context requires)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Counter Guarantee”	the counter guarantee provided by Mr. Li pursuant to the Counter Guarantee Agreement
“Counter Guarantee Agreement”	the agreement dated 4 November 2022 entered into between the Company and Mr. Li, pursuant to which Mr. Li has agreed to indemnify the Company for any amount that becomes payable by the Company or its subsidiaries in relation to the Company Guarantee
“Director(s)”	the director(s) of the Company

DEFINITIONS

“EGM”	the extraordinary general meeting to be held by the Company to, amongst others, consider and approve the 2022 Framework Agreement and the Annual Caps
“Group”	the Company and its subsidiaries
“Guarantees”	the Tianrui Group Guarantee and the Company Guarantee
“Independent Board Committee”	a Board committee comprising all the independent non-executive Directors
“Independent Financial Adviser”	SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Company Guarantee and the relevant annual caps pursuant to the 2022 Framework Agreement
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	30 November 2022, being the latest date for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Mr. Li”	Li Liufa (李留法), a non-executive director and a controlling shareholder of the Group
“Mrs. Li”	Mrs. Li Fengluan, the spouse of Mr. Li
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	Securities and Futures Ordinance (Cap 571, Laws of Hong Kong)
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the 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
“Tianrui Group Guarantee”	the guarantee provided by Tianrui Group Company to the Company (including its subsidiaries) pursuant to the 2022 Framework Agreement or the 2019 Framework Agreement (as the context requires)
“%”	per cent

LETTER FROM THE BOARD



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)

Directors:

Executive Directors:

Mr. Li Xuanyu (*Chairman*)
Mrs. Li Fengluan
Mr. Xu Wuxue
Mr. Li Jiangming
Mr. Ding Jifeng

Non-executive Director:

Mr. Li Liufa

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

Place of Business in PRC:

No. 63 Guangcheng Road East
Ruzhou City
Henan Province
PRC

Place of Business in Hong Kong:

Room 2504, 25/F, Lippo Centre Tower 1
89 Queensway, Admiralty
Hong Kong

6 December 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
DISCLOSEABLE TRANSACTION
IN RELATION TO THE 2022 FRAMEWORK AGREEMENT:
PROVISION OF MUTUAL GUARANTEES**

INTRODUCTION

Reference is made to the Company's announcement dated 4 November 2022 in relation to the discloseable and continuing connected transactions contemplated under the 2022 Framework Agreement.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Company Guarantee contemplated under the 2022 Framework Agreement constitutes continuing connected transactions for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements.

The purpose of this circular is to set out, among other things, (i) the details of the 2022 Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

MAJOR TERMS OF THE 2022 FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

I. Major Terms of the 2022 Framework Agreement

The terms of the 2022 Framework Agreement are materially the same as the 2019 Framework Agreement.

1. Date

4 November 2022 (after trading hours)

2. Effective Period

The 2022 Framework Agreement shall be effective for a term from 1 January 2023 to 31 December 2025 (the "**Term**"), subject to all the conditions precedent (including Independent Shareholders' approval) thereto being fulfilled. For the avoidance of doubt, the 2019 Framework Agreement shall continue to be effective up to 31 December 2022.

3. Parties

- (a) The Company;
- (b) Tianrui Cement; and
- (c) Tianrui Group Company

4. Mutual Guarantee

(a) Tianrui Group Guarantee

Pursuant to the 2022 Framework Agreement, Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to the Company or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them.

LETTER FROM THE BOARD

(b) Company Guarantee

Pursuant to the 2022 Framework Agreement, the Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them. In the event that the relevant loan, debenture or corporate bonds is to be borrowed or issued by any of Tianrui Group Company's subsidiaries, Tianrui Group Company shall provide the primary guarantee to the lenders in respect to the loan, debenture or corporate bonds while the Company Guarantee shall only be provided as additional credit support. In addition, with respect to such Company Guarantee, Tianrui Group Company undertakes to indemnify the Company for any amount payable by the Company in accordance with the terms and conditions of the Company Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds.

For the avoidance of doubt, none of the members of the Group will be considered to be a subsidiary of Tianrui Group Company for the purpose of the 2022 Framework Agreement.

The provision of the Guarantees by each party under the 2022 Framework Agreement will be subject to the guarantor having fully understood the borrower's business obligations and financial position, and further in the case of Company Guarantee, it will also be subject to the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2022 Framework Agreement. For further details, please refer to the section headed "Risk Management Measures under the 2022 Framework Agreement" in this circular.

No commission is payable by the Company or Tianrui Group Company to each other in connection with any of the Guarantees, which the Directors consider is fair and reasonable to the Company and its Shareholders on the basis that, among others, commission in relation to guarantee is normally calculated based on the annual amount of the guarantees. The proposed Annual Caps of Tianrui Group Guarantee are higher than those of Company Guarantee, and it is also expected that the amount to be utilized under Tianrui Group Guarantee is greater than the amount to be utilized under Company Guarantee; therefore, the commission payable by the Company under the Tianrui Group Guarantee would be greater than that by Tianrui Group Company under the Company Guarantee, should any commission be payable. As such, it would be for the benefit of the Company for there not to be any commission payable under the 2022 Framework Agreement.

No security shall be provided over the assets of any member of the Group in relation to any of the Guarantees.

LETTER FROM THE BOARD

Pursuant to the 2022 Framework Agreement, no obligations under the Company Guarantee and Tianrui Group Guarantee shall be offset against each other.

5. *Conditions Precedent*

The Guarantees will be subject to the conditions precedent set out as follows:

- (i) the Company has complied with the requirements provided under the Listing Rules in respect of the transactions contemplated under the 2022 Framework Agreement;
- (ii) the 2022 Framework Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM in compliance with the Listing Rules; and
- (iii) the Counter Guarantee Agreement has been executed.

6. *Proposed Annual Caps for the Guarantees*

The proposed Annual Caps provided in the 2022 Framework Agreement, which are the same as those under the 2019 Framework Agreement, are set out as follows:

	Year ending 31 December		
	2023	2024	2025
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Maximum daily balance of the Company Guarantee	3,000	3,000	3,000
Maximum daily balance of Tianrui Group Guarantee	7,000	7,000	7,000

The proposed Annual Caps provided in the 2022 Framework Agreement are the same as the annual caps under the 2019 Framework Agreement. Under the 2019 Framework Agreement, the maximum daily balance of the Company Guarantee are RMB3,000 million for each of the three years ending 31 December 2022 respectively, and the maximum daily balance of the Tianrui Group Guarantee are RMB7,000 million for each of the three years ending 31 December 2022 respectively.

The proposed Annual Caps for Company Guarantee were determined by the Board after taking into consideration the following factors:

- (a) funding needs of the Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for borrowings of approximately RMB875.6 million secured by Company Guarantee as of 30 September 2022; and

LETTER FROM THE BOARD

- (b) increase in future capital requirements of Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business). As advised by the management of Tianrui Group Company, it is expected that approximately RMB2,200 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, new energy and other businesses.

The proposed Annual Caps for Tianrui Group Guarantee were determined by the Board after taking into consideration the following factors:

- (a) funding needs of the Group in respect of the borrowings of approximately RMB4,000.5 million which has been secured by Tianrui Group Guarantee as of 30 September 2022; and
- (b) the Group's possible needs for approximately RMB3,000 million to finance fixed assets investments, business acquisition, production improvement, by-product expansion and general working capital during the Term.

The terms of the 2022 Framework Agreement remain materially the same as the 2019 Framework Agreement.

	Annual Caps under 2019 Framework Agreement	Annual Caps under 2022 Framework Agreement
Company Guarantee	Maximum daily balance not exceeding RMB3,000 million during the term from 1 January 2020 to 31 December 2022	Maximum daily balance not exceeding RMB3,000 million during the term from 1 January 2023 to 31 December 2025
Tianrui Group Guarantee	Maximum daily balance of RMB7,000 million during the term from 1 January 2020 to 31 December 2022	Maximum daily balance of RMB7,000 million during the term from 1 January 2023 to 31 December 2025

Note: the 2019 Framework Agreement was approved in the extraordinary general meeting of the Company on 27 December 2019.

II. Counter Guarantee

On 4 November 2022 (after trading hours), Mr. Li entered into the Counter Guarantee Agreement with the Company, pursuant to which Mr. Li agreed to indemnify the Company by means of the Counter Guarantee for any amount payable by the Company or its subsidiaries in connection with the Company Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds.

LETTER FROM THE BOARD

The Board considers that the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Counter Guarantee is exempted from reporting, announcement and Independent Shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

The Counter Guarantee arrangement for the 2022 Framework Agreement is identical in nature as Mr. Li's counter guarantee arrangement for the 2019 Framework Agreement.

REASONS FOR AND BENEFITS OF THE 2022 FRAMEWORK AGREEMENT

The 2022 Framework Agreement was entered into by the Company and Tianrui Group Company after taking into account the following factors:

- (a) It is common commercial practice for lenders in China to require the provision of guarantees as security for provision of loans to a borrower. In particular, privately-owned companies are often required by the PRC banks to provide third-party guarantee before granting a loan. Accordingly, financial institutions in the PRC have implemented tightened risk control measures, which require borrowers to extend or provide additional guarantees before granting loans.
- (b) The historical utilization of the Tianrui Group Guarantee is greater than that of the Company Guarantee. As at 30 September 2022, the outstanding balance of the Company Guarantee is approximately RMB875.6 million while the Tianrui Group Guarantee is approximately RMB4,000.5 million. During the term of 2019 Framework Agreement and as at the Latest Practicable Date, there has not been default of any loans guaranteed by either the Tianrui Group Guarantee or the Company Guarantee under the 2019 Framework Agreement. The guaranteed amounts under the Tianrui Group Guarantee and the Company Guarantee as of 31 December 2020, 31 December 2021 and 30 September 2022 are as follows:

	31 December	As of	30 September
	2020	31 December	2022
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Company Guarantee	2,093.5	1,863.6	875.6
Tianrui Group Guarantee	5,080.4	4,377.7	4,000.5

The highest daily balance of Company Guarantee are RMB2,093.5 million, RMB2,562.1 million and RMB1,863.6 million during the year ended 31 December 2020 and 2021, and the nine months ended 30 September 2022 respectively.

The highest daily balance of Tianrui Group Guarantee are RMB5,080.4 million, RMB4,377.7 million and RMB4,377.7 million during the year ended 31 December 2020 and 2021, and the nine months ended 30 September 2022 respectively.

LETTER FROM THE BOARD

- (c) The Group's business is capital-intensive. While the Group has continuously sought to diversify its external funding sources, domestic PRC bank loans remain a vital source in satisfying the Group's financing needs. Consistent with its business strategy, the Group intends to continue to engage in fixed assets investments, business acquisitions, production improvement and by-product expansion so as to benefit from the consolidation trend in China's cement industry and ensure the sustainable development of the Group's business in the long term. As a result of the Tianrui Group Guarantee, the Group will not only be able to enhance its ability to obtain bank loans and other borrowings, but it will also have the flexibility to approve and finalize relevant loans and borrowings in a timely manner, which is important to the Group's implementation of its business expansion and performance improvement.
- (d) With respect to the Company Guarantee:
- (i) the Company will have recourse against Tianrui Group Company for the Company's potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group Company, Tianrui Group Company shall provide the primary guarantee, whereas the Company Guarantee is being provided for additional credit support. Furthermore, Tianrui Group Company, by entering into the 2022 Framework Agreement, has agreed to indemnify the Company for any amount payable in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan;
 - (ii) Mr. Li also agreed to indemnify the Company for any amount that the Company would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2022 Framework Agreement;
 - (iii) the Company will not provide a guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. The Company is of the view that Tianrui Group Company's aluminum related business is uncertain and has been affected by the unfavorable market condition in recent years. As such, the Company's exposure to the credit risk of Tianrui Group Company under the Company Guarantee will be minimized by carving out Tianrui Group Company's subsidiaries operating in aluminum-related business; and
 - (iv) as at the Latest Practicable Date, Tianrui Group Company confirms that it does not have any repayment default in respect of any loan arrangements with banks. The financial position of Tianrui Group Company is reasonably healthy, certain particulars of which are set out in the section headed "Financial Information of Tianrui Group Company" in this circular.

LETTER FROM THE BOARD

- (e) In order to secure sufficient funds for the operations of the Group, the Board also considered the following measures as alternatives to the Guarantees and the principal reasons for not adopting these measures are set out as follows:

(i) Guarantees provided by an independent third party

To compensate for the risk exposure of an independent third party guarantor, the Company would need to pay a commission calculated based on the annual amount of the guarantee. Since the annual amount of the guarantee as suggested by the proposed Annual Caps for the Company Guarantee is high, the commission chargeable by such guarantor would be costly for the Group;

(ii) Individual guarantee relating to each individual loan agreement

As described in paragraph (c) above, the Group's business is capital-intensive. Arranging individual guarantees relating to each individual loan agreement could limit the flexibility for the Group to approve and execute its relevant loans and borrowings on a timely basis.

- (f) In line with the 2019 Framework Agreement, the Company has, together with Tianrui Cement as a party to the agreement, formulated the agreement and entered into the 2022 Framework Agreement with Tianrui Group Company. The principal reasons for this are set out as follows:

(i) it has become increasingly common for banks in China to arrange cross-border finance such as offshore or onshore financing against domestic or overseas guarantee, which require companies outside of China to become parties in the arrangement. Some banks have proposed this kind of arrangement and requirement to the Company, Tianrui Cement, Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business), in order to lower finance cost, enlarge financing scale, manage foreign exchange risk or match cross-border funding needs.

(ii) some banks are willing to offer a better finance service package for the group entities of a listed company, including majority shareholders and listed companies, which would require a guarantee from the listed company, since a public company listed on a stock exchange has better transparency and credit premium compared to a private company.

In consideration for the benefits received by the Group under the Tianrui Group Guarantee set out above, the Company has, therefore, agreed to provide the Company Guarantee.

LETTER FROM THE BOARD

RISK MANAGEMENT MEASURES UNDER THE 2022 FRAMEWORK AGREEMENT

In order to minimize the risk exposure of the Company in relation to the Company Guarantee, the Board shall continue to establish a special committee comprising not less than three Directors and the majority of the committee members shall be independent non-executive Directors. The special committee shall, during the Term:

- (a) review and approve each Company Guarantee. The special committee has the right to fully understand the business operations and financial position of the borrower before approving each Company Guarantee. It would not constitute a breach of the 2022 Framework Agreement if, after a review of the financial position of the borrower, the special committee considers it inappropriate to approve such guarantee. To facilitate such review process, Tianrui Group Company and its subsidiaries shall promptly provide their financial statements and other relevant information as requested by the special committee. The special committee will take into account the following factors when approving such guarantee:
 - (i) no guarantee should be granted to a borrower with negative consolidated equity attributable to owners;
 - (ii) no guarantee should be granted to a borrower operating in aluminum-related business; and
 - (iii) no guarantee should be granted to a borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;
- (b) monitor the implementation of each individual guarantee provided by the Company under the 2022 Framework Agreement;
- (c) consider the suitability of the guaranteed company;
- (d) periodically review and make sure no material adverse event or litigation issues will substantially affect the financial and operation of Tianrui Group Company and its subsidiaries and to determine the effect to the guarantee, including if they will constitute breach;
- (e) periodically review the management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group Company;
- (f) periodically review and examine any material adverse changes on the business, property, assets or operations of Tianrui Group Company, or its ability to perform any of its obligations under the 2022 Framework Agreement; and
- (g) periodically review and examine any material adverse change in foreign exchange risk and the policy risk under the 2022 Framework Agreement.

LETTER FROM THE BOARD

The risk management measures for the 2022 Framework Agreement remains the same as that for the 2019 Framework Agreement.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2022 Framework Agreement, although are not in the ordinary and usual course of business, but are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better and are in the interests of the Company and its Shareholders as a whole.

EFFECT OF THE TRANSACTIONS ON THE FINANCIAL POSITION OF THE GROUP

Unless the Company Guarantee becomes enforceable and Mr. Li fails to honour his obligation under the Counter Guarantee, otherwise, there should not be actual economic benefits outflow from the Company as a result of the discharge of the obligations of the Company under the 2022 Framework Agreement. Further, the proposed annual caps of Tianrui Group Guarantee are higher than those of Company Guarantee, and it is also expected that the amount to be utilized under Tianrui Group Guarantee is greater than the amount to be utilized under the Company Guarantee. The Directors are of the view that the financial position of Tianrui Group Company as set out in the section headed "Financial Information of Tianrui Group Company" is reasonably healthy. The Directors are of the view that it is unlikely for the Company Guarantee to become enforceable because (1) the proposed maximum daily balance of Company Guarantee under the 2022 Framework Agreement is RMB 3,000 million which is less than Tianrui Group Company's net assets of RMB42,299 million and cash and bank balances of RMB6,834 million as of 31 December 2021; and (2) there has never been default of any loans guaranteed by the Company Guarantee under the 2019 Framework Agreement. The Directors are also of the view that, even if the Company Guarantee becomes enforceable, it is unlikely for Mr. Li to fail to honour the obligations under the Counter Guarantee because (1) according to 2021 Forbes The World's Billionaires List published by Forbes, Mr. Li and his family had a net asset value of approximately US\$2,800 million, rising from the US\$2,600 million in 2019 when the 2019 Framework Agreement was entered into, which is well beyond the maximum daily balance of RMB3,000 million under the Company Guarantee; and (2) Mr. Li and Mrs. Li indirectly held approximately 69.58% issued shares of the Company, and hence Mr. Li would also indirectly suffer loss as a shareholder if the Company Guarantee becomes enforceable. On the assumption that it is unlikely for the Company Guarantee to become enforceable while Mr. Li would also fail to honour his obligation under the Counter Guarantee, the Directors believe that the 2022 Framework Agreement is unlikely to have a substantial impact on the financial position of the Group.

The Company Guarantee will initially be recognized as a liability in the consolidated financial statements of the Company, the specific value of which will be determined based on the evaluation. The above liability will be amortized during the Term. In addition, the financial status of the borrower will be regularly reviewed; and the risk shall be assessed and reserves be withheld in the event of a possible default.

LETTER FROM THE BOARD

The Guarantees are accounted for according to international financial reporting standards as follows:

If an entity has issued a financial guarantee to a third party, the entity will need to consider whether that instrument meets the definition of a financial guarantee contract as set out in IFRS 9. The Standard defines such contracts as those that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. The issuer of such a contract should, in accordance with the requirements of IFRS 9, initially recognise the financial guarantee contract at fair value and subsequently measure it at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tianrui Group Company is owned as to 70% by Mr. Li, and Tianrui Group Company also indirectly holds approximately 69.58% shareholding in the Company and is hence the controlling shareholder of the Company. Tianrui Group Company is therefore a connected person of the Company. Therefore, the transactions contemplated under the 2022 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Company Guarantee

As one or more of the applicable percentage ratios exceed 5% but all applicable percentage ratios are less than 25%, the Company Guarantee constitutes a discloseable transaction under the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As the amount of the proposed Annual Caps (the daily maximum balance not exceeding RMB3,000 million for each of the three years ending 31 December 2025) of Company Guarantee exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of Company Guarantee is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

LETTER FROM THE BOARD

Tianrui Group Guarantee

The Board considers that the Tianrui Group Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Tianrui Group Guarantee is exempted from reporting, announcement and Independent Shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

Counter Guarantee

On 4 November 2022 (after trading hours), Mr. Li, the ultimate controlling shareholder of the Tianrui Group Company, entered into the Counter Guarantee Agreement with the Company, pursuant to which Mr. Li has agreed to indemnify the Company by means of the Counter Guarantee for any amount payable by the Company or its subsidiaries in connection with the Company Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds.

The Board considers that the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Counter Guarantee is exempted from reporting, announcement and Independent Shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

BOARD'S APPROVAL

Save for Mr. Li, Mrs. Li (Mr. Li's spouse), Mr. Li Xuanyu (Mr. Li's son) and Mr. Li Jiangming, who is the brother of Mrs. Li, all of the Directors have confirmed that none of them has any material interest in the 2022 Framework Agreement; and therefore no Director (except Mr. Li, Mrs. Li, Mr. Li Xuanyu and Mr. Li Jiangming) are required to abstain from voting at the meeting of the Board to approve the 2022 Framework Agreement.

EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the 2022 Framework Agreement and the transactions contemplated thereunder.

In accordance with the Listing Rules, any shareholder with a material interest in the 2022 Framework Agreement and his close associates shall abstain from voting at the EGM, accordingly, Yu Kuo, which holds a total of 69.58% Shares of the Company as at the Latest Practicable Date and is ultimately controlled by Mr. Li and Mrs. Li, being connected persons of the Company and having material interests in the 2022 Framework Agreement, will abstain from voting at the EGM for the resolution. The votes of the Independent Shareholders regarding the resolution for approval of the 2022 Framework Agreement and the transactions contemplated thereunder will be taken by poll.

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF TIANRUI GROUP COMPANY

The following table sets out the selected consolidated financial figures of Tianrui Group Company prepared in accordance with the PRC generally accepted accounting principles and that of the Company which is prepared in accordance with IFRS for the periods or as of the dates indicated:

	For the year ended 31 December 2021		For the year ended 31 December 2020	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(audited)		(audited)	
	Tianrui Group		Tianrui Group	
	Company	Company	Company	Company
Revenue	27,235,361	12,716,775	24,185,319	12,170,754
Profit before tax	2,217,735	1,453,103	2,857,120	2,368,102
Net profit (after tax)	2,009,811	1,281,522	2,730,996	1,970,450
Net cash from operating	3,641,313	2,730,409	4,332,719	2,633,144
Cash and bank balances	6,834,394	2,310,631	6,003,077	2,412,115
Total assets	73,051,579	32,658,235	70,691,631	32,439,501
Total liabilities	30,752,711	16,589,957	32,280,378	17,616,603
Net assets	42,298,868	16,068,278	38,411,253	14,822,898
Contingent liabilities				
<i>(Notes 2 & 3)</i>	—	1,863,600	—	2,093,500
Utilised banking facilities				
<i>(Note 4)</i>	12,184,557	7,307,328	12,589,526	5,692,794

Note 1: Tianrui Group Company's financials have been prepared in accordance with PRC GAAP which has consolidated the corresponding amounts stated in the accounts of the Company, which have been prepared in accordance with IFRS.

Note 2: The contingent liabilities of the Company arise from provision of Company Guarantee.

Note 3: The outstanding amounts borrowed by the Company and secured by Tianrui Group Guarantee is approximately RMB4,000.5 million as at 30 September 2022. Under PRC GAAP, since the financials of the Company are consolidated into the financials of Tianrui Group Company, the Tianrui Group Guarantee is considered as intra-group guarantee and hence not accounted as contingent liability on the accounts of Tianrui Group Company.

Note 4: The utilized amounts of Company Guarantee which is outstanding from time to time has been reflected in the stated utilized banking facilities of Tianrui Group Company as at 31 December 2020 and 31 December 2021 respectively.

INFORMATION ON THE PARTIES

Tianrui Group Company is a company established in PRC with limited liability and held as to 70% by Mr. Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

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.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 18 to 19 of this circular and the letter of advice from Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 20 to 37 of this circular in connection with the Company Guarantee under the 2022 Framework Agreement and the proposed annual caps for a term from 1 January 2023 to 31 December 2025 and the principal factors and reasons considered by Independent Financial Adviser in arriving at such advice respectively.

The Independent Board Committee, having taken into account the advice of Independent Financial Adviser, considers that the Company Guarantee contemplated under the 2022 Framework Agreement is not in the ordinary and usual course of business of the Group but is on normal commercial terms or better for the Group and the Annual Caps are fair and reasonable, and therefore are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution to approve the 2022 Framework Agreement and the Company Guarantee contemplated thereunder and the Annual Caps at the EGM as set out in the notice of the EGM.

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 16 December 2022 to Wednesday, 21 December 2022, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 15 December 2022.

Your attention is drawn to additional information set out in the appendix to this circular.

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



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

6 December 2022

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
AND
DISCLOSEABLE TRANSACTION
IN RELATION TO THE 2022 FRAMEWORK AGREEMENT:
PROVISION OF MUTUAL GUARANTEES**

We refer to the circular of the Company dated 6 December 2022 (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 by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the 2022 Framework Agreement and the Company Guarantee contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and whether, in our opinion, the terms of the 2022 Framework Agreement and the Company Guarantee contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the 2022 Framework Agreement and the advice of Independent Financial Adviser in relation to the Company Guarantee under the 2022 Framework Agreement and the proposed annual caps for a term from 1 January 2023 to 31 December 2025 as set out in the Circular, we are of the opinion that the Company Guarantee under 2022 Framework Agreement are not in the ordinary and usual course of business of the Group, the terms of 2022 Framework Agreement are on normal commercial

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

terms or better, and including the Company Guarantee Annual Caps provided in the 2022 Framework Agreement are fair and reasonable, and therefore are in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2022 Framework Agreement and the Company Guarantee contemplated thereunder and the Annual Caps.

Yours faithfully,
Independent Board Committee

Kong Xiangzhong
Independent
non-executive director

Wang Ping
Independent
non-executive director

Du Xiaotang
Independent
non-executive director

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Set out below is the full text of a letter of advice from SBI China Capital Hong Kong Securities Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for inclusion in this circular.



6 December 2022

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE 2022 FRAMEWORK AGREEMENT: PROVISION OF MUTUAL GUARANTEES

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders as to whether the entering into of the transactions contemplated under the 2022 Framework Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole and the terms of the transactions contemplated under the 2022 Framework Agreement are on normal commercial terms and, including the relevant annual caps for the three years ending 31 December 2023, 2024 and 2025 (the “**Company Guarantee Annual Caps**”), are fair and reasonable as far as the Company and the Shareholders are concerned. Details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company to the Shareholders dated 6 December 2022 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 4 November 2022, the Company announced that the Company entered into the 2022 Framework Agreement with Tianrui Group Company and Tianrui Cement, pursuant to which the Company has conditionally agreed to provide the Company Guarantee to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminum-related business) and Tianrui Group Company has conditionally agreed to provide the Tianrui Group Guarantee to the Company (including its subsidiaries), directly by themselves or through their subsidiaries, with respect to each other (inclusive of their subsidiaries) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by them for a term from 1 January 2023 to 31 December 2025, subject to the Company Guarantee Annual Caps for the Company Guarantee and the Tianrui Group

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Guarantee. For the avoidance of doubt, none of the members of the Group will be considered to be a subsidiary of Tianrui Group Company for the purpose of the 2022 Framework Agreement.

Tianrui Group Company is owned as to 70% by Mr. Li and as to 30% by Mrs. Li (Mr. Li's spouse), and Tianrui Group Company also indirectly holds approximately 69.58% shareholding in the Company and is hence the controlling shareholder of the Company. Accordingly, Tianrui Group Company is a connected person of the Company; and the transactions contemplated under the 2022 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules. Historically, at the extraordinary general meeting of the Company held on 27 December 2019, the then Independent Shareholders approved the transactions contemplated under the 2019 Framework Agreement and the relevant annual caps for each of the three years from 1 January 2020 to 31 December 2022. The Company is expected to continue the transactions; hence, it will convene the EGM to seek approval of the Independent Shareholders for the transactions contemplated under the 2022 Framework Agreement and the Company Guarantee Annual Caps.

An Independent Board Committee, comprising Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, has been established to make recommendation to the Independent Shareholders as to whether the entering into of the transactions contemplated under the 2022 Framework Agreement is in the ordinary and usual course of business of the Company and is in the interests of the Company and the Shareholders as a whole and the terms of the transactions contemplated under the 2022 Framework Agreement are on normal commercial terms and, including the Company Guarantee Annual Caps, are fair and reasonable as far as the Company and the Shareholders are concerned. In our capacity as the independent financial adviser to the Independent Board Committee and the Independent Shareholders, our role is to give an independent opinion in this regard.

During the past two years, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence. We also act as the independent financial adviser to a continuing connected transaction in relation to a deposit service agreement as announced on 4 November 2022. Apart from the advisory fees from such continuing connected transaction and normal professional fees payable to us in connection with this engagement, no arrangement exists whereby we had received or will receive any fees or benefits from the Company or any other parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider that we are independent from the Company pursuant to Rule 13.84 of the Listing Rules.

In formulating our opinion, we have relied on the information and facts supplied and opinions expressed by the management of the Company. We have assumed that all information and representations provided by the management of the Company, for which they are solely responsible, were true and accurate at the time they were prepared or made and will continue to be so up to the Latest Practicable Date. Should there be any subsequent material changes which occurred during the period from the date of the Circular up to the date of the EGM and would affect or alter our opinion, we will notify the Independent

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Board Committee and the Independent Shareholders as soon as possible. We have no reason to doubt the truth, accuracy or completeness of the information and representations made to us by the management of the Company. We have been advised that no material facts have been omitted from the information supplied and opinions expressed. As such, we have no reason to suspect that any relevant information has been withheld or omitted from the information provided and referred to in the Circular or the reasonableness of the opinions and representations provided by the management of the Company to us, nor are we aware of any facts or circumstances which would render the information provided and representations made to us untrue, inaccurate or misleading.

We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or the future prospects of the Group, nor have we carried out any independent verification of the information provided by the management of the Company.

All Directors jointly and severally accept full responsibility for the accuracy of information contained in the Circular and confirm, having made all reasonable inquiries, that to the best of their knowledge, opinions expressed in the Circular have been arrived at after due and careful consideration and there are no other facts not contained in the Circular, the omission of which would make any statement in the Circular misleading.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Company Guarantee and the Company Guarantee Annual Caps, we have considered the following principal factors and reasons:

(1) Background information of the parties to the 2022 Framework Agreement

a. Information of the Group

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

b. Information of Tianrui Cement

Tianrui Cement is a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company. The principal businesses of the Group are carried out by Tianrui Cement and its subsidiaries, and range from excavation of limestone to production, sales and distribution of clinker and cement.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

c. Information of Tianrui Group Company

As stated in the Letter from the Board, Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Mr. Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

We note that the Company and China Shanshui Cement Group Limited (“China Shanshui Cement”) respectively made an announcement on 8 June 2017 and 2 June 2017, in relation to a legal action arisen by the shareholders of China Shanshui Cement in relation to certain claims regarding China Shanshui Cement (the “Action”). In the Action, there are 17 respondents including Tianrui Group Company and Mr. Li.

To the best knowledge, information and belief of the management of the Company after making reasonable enquiries, Tianrui Group Company had consulted legal advisers and understood that the petition did not appear to have substantive ground and thus was unlikely to have any material impact on Mr. Li and Tianrui Group Company. Up to the Latest Practicable Date, there was no significant progress on the litigation in relation to the Action.

Financial position

The following table sets out the selected consolidated financial information of Tianrui Group Company prepared in accordance with the PRC generally accepted accounting principles for the two years ended 31 December 2021:

		For the year ended	
		31 December	
		2020	2021
	Notes	RMB'000	RMB'000
		(audited)	(audited)
Revenue		24,185,319	27,235,361
Earnings Before Interest & Tax (“EBIT”)		4,535,514	3,530,072
Finance costs		1,763,358	1,395,700
Net profit		2,730,996	2,009,811
Net cash from operation		4,332,719	3,641,313
Financial ratios			
Net margin (%)	1	11.3%	7.4%
EBIT margin (%)	2	18.8%	13.0%
Interest coverage (times)	3	2.6	2.5

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

1. Net margin is calculated by the profit for the year divided by revenue for the respective year and multiplied by 100%.
2. EBIT margin is calculated by the EBIT for the year divided by revenue for the respective year and multiplied by 100%.
3. Interest coverage is calculated by EBIT for the year divided by finance costs for the respective year and multiplied by 100%.

	As at 31 December	
	2020	2021
<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)
Cash and cash equivalent	3,068,911	3,260,176
Current assets	17,123,587	18,479,747
Non-current assets	53,568,045	54,571,832
Total assets	70,691,631	73,051,579
Current liabilities	20,274,469	21,772,916
Net current liabilities	3,150,882	3,293,169
Non-current liabilities	12,005,909	8,979,795
Total liabilities	32,280,378	30,752,711
Net assets	38,411,253	42,298,869
Financial ratios		
Current ratio (<i>times</i>)	1	0.8
Total liabilities to total equity (%)	84.0%	72.7%

Note:

1. Current ratio is calculated by the current assets divided by the current liabilities as at the respective year end.

As shown in the above tables and advised by the management of the Company, revenue of Tianrui Group Company increased from approximately RMB24,185.3 million for the year ended 31 December 2020 to approximately RMB27,235.4 million for the year ended 31 December 2021. The increase in revenue was mainly due to the increase in revenue from coal coking business and trading business. Net profit of Tianrui Group Company decreased from approximately RMB2,731.0 million for the year ended 31 December 2020 to approximately RMB2,009.8 million for the year ended 31 December 2021, which was mainly due to the decrease in operating profit. While revenue increased by approximately RMB3,050.1 million, operating costs increased by approximately RMB4,050.5 million to RMB22,579.5 million for the year ended 31 December 2021. Net margin of Tianrui Group Company decreased from approximately 11.3% for the year

LETTER FROM INDEPENDENT FINANCIAL ADVISER

ended 31 December 2020 to approximately 7.4% for the year ended 31 December 2021. The decrease in net margin was mainly due to decrease in net profit. Apart from the increase in operating costs mentioned above, other income and investment income reduced by approximately RMB75.5 million and approximately RMB44.7 million to approximately RMB302.8 million and approximately RMB777.8 million, respectively for the year ended 31 December 2021. Tianrui Group Company also incurred credit impairment loss of RMB210.4 million for the year ended 31 December 2021. EBIT margin of Tianrui Group decreased from approximately 18.8% for the year ended 31 December 2020 to approximately 13.0% for the year ended 31 December 2021, which was mainly due to the decrease in profitability as described above. Interest coverage of Tianrui Group Company maintained at similar level of approximately 2.6 and approximately 2.5, respectively for the years ended 31 December 2020 and 2021.

Cash and cash equivalents of Tianrui Group Company increased from approximately 3,068.9 million as at 31 December 2020 to approximately RMB3,260.2 million as at 31 December 2021, which was mainly due to the decrease in net cash outflow from investment activities by approximately RMB803.7 million netting off the effect from the decrease in net cash inflow from operating activities by approximately RMB691.4 million. Total liabilities to total equity ratio improved from approximately 84.0% as at 31 December 2020 to approximately 72.7% as at 31 December 2021, which was mainly due to the decrease in total liabilities and the increase in total assets.

Credit ranking and repayment history

According to the Rating Tracking Report (跟蹤評級報告) dated 22 June 2022 issued by the China Lianhe Credit Rating Co. Ltd., a credit rating agency recognised by Peoples' Bank of China, Tianrui Group Company is rated AA, with a stable outlook. As stated in the Letter from the Board, as at the Latest Practicable Date, there has been no default of any loans guaranteed by the Company Guarantee under the 2019 Framework Agreement.

According to the 2021 and 2022 Research and Analysis Reports on Top 500 Private Enterprises in the PRC published by All-China Federation of Industry and Commerce Economic Service Department (全國工商聯經濟服務部), Tianrui Group Company was ranked 192th in 2021 and 176th in 2022 respectively. The Federation of Industry and Commerce is a people's organization and the largest private chamber of commerce in the PRC.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

No potential liability from the Action

Although there was the Action which involved Tianrui Group Company, to the best knowledge, information and belief of the management of the Company after making reasonable enquiries, Tianrui Group Company had consulted legal advisers and understood that the petition did not appear to have substantive ground and thus was unlikely to have any material impact on Mr. Li and Tianrui Group Company. As stated in the section headed “Risk management measures under the 2022 Framework Agreement” in the Letter from the Board, the special committee of the Company will periodically review and make sure no material adverse events or litigation issues will substantially affect the financial and operation of Tianrui Group Company and its subsidiaries and to determine the effect to the guarantee, including if they will constitute breach.

Shareholders should note that the ability of Tianrui Group Company to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantee depends on a number of factors including but not limited to, its credit ranking, repayment history, historical financial position and potential liability.

In considering the ability of Tianrui Group Company to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantee, we have (i) reviewed the financial position, including but not limited to net profit, cash and cash equivalent and total liabilities to total equity ratio, of Tianrui Group Company for the two years ended 31 December 2021 as stated above; (ii) reviewed the rating tracking report issued by China Lianhe Credit Rating Co., Ltd., which rated the Tianrui Group Company in AA credit rating; and (iii) reviewed the two lists published by All-China Federation of Industry and Commerce Economic Service Department (全國工商聯經濟服務部), being the lists of yearly top 500 private enterprises in the PRC in which Tianrui Group Company was ranked 192th in 2021 and 176th in 2022. Based on the information we have reviewed, we have no reason to believe that Tianrui Group Company will be unable to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantee, in case the loans are guaranteed by the Company (if any).

(2) Reasons for and benefits of entering into the Company Guarantee

Details of the reasons for and benefits of entering into the 2022 Framework Agreement are set out in the section headed “Reasons for and benefits of the 2022 Framework Agreement” in the Letter from the Board. In assessing whether entering into the Company Guarantee is in the interests of the Company and the Shareholders, we have considered the following factors:

Benefits enjoyed under the Tianrui Group Guarantee

As stated in the Letter from the Board, the Group’s business is capital-intensive. While the Group has continuously sought to diversify its external funding sources, domestic PRC bank loans remain a vital source in satisfying the Group’s financing needs. As advised by the management of the Company, as of 31 October 2022, approximately RMB4,225 million of guarantee amounts have been utilised by the Company under the Tianrui Group Guarantee. Consistent with its business strategy, the Group intends to continue to engage in fixed assets investments, business acquisitions, production improvement and by-product expansion so as to benefit from the consolidation trend in China’s cement industry and ensure the sustainable development of the Group’s business in the long term. As a result of the Tianrui Group Guarantee, the Group will not only be able to enhance its ability to obtain bank loans and other borrowings, but it will also have the flexibility to approve and finalise relevant loans and borrowings in a timely manner, which is important to the Group’s implementation of its business expansion and performance improvement.

The maximum daily balance of the Tianrui Group Guarantee under the 2022 Framework Agreement is RMB7,000 million. Taking into account approximately RMB4,225 million of guarantee amounts have been utilised by the Company under the Tianrui Group Guarantee as of 31 October 2022, approximately RMB2,775 million will be available under the Tianrui Group Guarantee. As a result, we concur with the Directors’ view that such unutilised amount would provide additional funds for the Company’s operations.

Risk exposure associated with the Company Guarantee

As stated in the Letter from the Board, the Company has taken the following actions to limit the risk exposure of the Company in the Company Guarantee:

- (a) the Company will have recourse against Tianrui Group Company for the Company’s potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group Company, Tianrui Group Company shall provide the primary guarantee, whereas the Company Guarantee is being provided for additional credit support. Furthermore, Tianrui Group Company, by entering into the 2022 Framework Agreement, has agreed to indemnify the Company for any amount

LETTER FROM INDEPENDENT FINANCIAL ADVISER

payable in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan;

- (b) Mr. Li also agreed to indemnify the Company for any amount that the Company would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2022 Framework Agreement;
- (c) the Company will not provide a guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. The Company is of the view that Tianrui Group Company's aluminum related business is uncertain and has been affected by the unfavorable market condition in recent years. As such, the Company's exposure to the credit risk of Tianrui Group Company under the Company Guarantee will be minimised by carving out Tianrui Group Company's subsidiaries operating in aluminum-related business; and
- (d) as at the Latest Practicable Date, Tianrui Group Company confirms that it does not have any repayment default in respect of any loan arrangements with banks. The financial position of Tianrui Group Company is reasonably healthy, certain particulars of which are set out in the section headed "Financial Information of Tianrui Group Company" in the Letter from the Board.

In light of the benefits enjoyed from the Tianrui Group Guarantee as mentioned above, we concur with the Directors' view that risks associated with the Company Guarantee is justified after considering (i) the above measures to limit the risks exposure of the Company in the Company Guarantee; and (ii) Tianrui Group Company will be able to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantee as set out in the paragraphs headed "(1) Background information of the parties to the 2022 Framework Agreement — c. Information of Tianrui Group Company" of this letter.

Historical amount of guarantee under the 2019 Framework Agreement

The highest daily balance of Company Guarantee was approximately RMB2,093.5 million, RMB1,863.6 million and RMB875.6 million for the two years ended 31 December 2021 and the nine months ended 30 September 2022 respectively, which are less than the highest daily balance of Tianrui Group Guarantee of approximately RMB5,080.4 million, RMB4,377.7 million and RMB4,000.5 million for the two years ended 31 December 2021 and the nine months ended 30 September 2022 respectively. On this basis, we concur with the Directors' view that the entering into the 2022 Framework Agreement is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Common industry practice and government policy on overseas guarantee

As stated in the Letter from the Board, in line with the 2019 Framework Agreement, the Company has, together with Tianrui Cement as a party to the agreement, formulated the agreement and entered into the 2022 Framework Agreement with Tianrui Group Company. The principal reasons for this are set out as follows:

- (i) it has become increasingly common for banks in China to arrange cross-border finance such as offshore or onshore financing against domestic or overseas guarantee, which require companies outside of China to become parties in the arrangement. Some banks have proposed this kind of arrangement and requirement to the Company, Tianrui Cement, Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business), in order to lower finance cost, enlarge financing scale, manage foreign exchange risk or match cross-border funding needs.
- (ii) some banks are willing to offer a better finance service package for the group entities of a listed company, including majority shareholders and listed companies, which would require a guarantee from the listed company, since a public company listed on a stock exchange has better transparency and credit premium compared to a private company.

Having considered the above, we concur with the Directors' view that although the entering into the Company Guarantee is not in the ordinary and usual course of business of the Company, the entering into the 2022 Framework Agreement will continue to facilitate the operation and growth of the businesses of the Tianrui Cement and Tianrui Group Company as both parties can secure sufficient funds for their operations; and the entering into the 2022 Framework Agreement is in the interests of the Company and the Shareholders as a whole.

(3) Principal terms of the 2022 Framework Agreement and the Company Guarantee Annual Caps

The principal terms of the 2022 Framework Agreement have been set out in the Letter from the Board and are summarised below:

1. Date

4 November 2022 (after trading hours)

2. *Effective Period*

The 2022 Framework Agreement shall be effective for a term from 1 January 2023 to 31 December 2025 (the “**Term**”), subject to all the conditions precedent (including Independent Shareholders’ approval) thereto being fulfilled. For the avoidance of doubt, the 2019 Framework Agreement shall continue to be effective up to 31 December 2022.

3. *Parties*

- (a) The Company;
- (b) Tianrui Cement; and
- (c) Tianrui Group Company

4. *Mutual Guarantee*

(a) Tianrui Group Guarantee

Pursuant to the 2022 Framework Agreement, Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to the Company or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them.

(b) Company Guarantee

Pursuant to the 2022 Framework Agreement, the Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them. In the event that the relevant loan, debenture or corporate bonds is to be borrowed or issued by any of Tianrui Group Company’s subsidiaries, Tianrui Group Company shall provide the primary guarantee to the lenders in respect to the loan, debenture or corporate bonds while the Company Guarantee shall only be provided as additional credit support. In addition, with respect to such Company Guarantee, Tianrui Group Company undertakes to indemnify the Company for any amount payable by the Company in accordance with the terms and conditions of the Company Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

(c) Counter Guarantee

Mr. Li agreed to indemnify the Company by means of the Counter Guarantee for any amount payable by the Company or its subsidiaries in connection with the Company Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds. The Company confirmed that Mr. Li does not charge any fees in relation to the Counter Guarantee.

The Board considers that the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee.

The Counter Guarantee arrangement for the 2022 Framework Agreement is identical in nature as Mr. Li's counter guarantee arrangement for the 2019 Framework Agreement.

According to 2021 Forbes The World's Billionaires List (2021福布斯全球億萬富豪榜) published by Forbes, Mr. Li and his family ranked No. 1,111 with a net asset value of approximately US\$2,800 million. According to the official website of Forbes China (<http://forbeschina.com>), Forbes is a worldwide financial and business media and was found in New York in 1917. Shareholders should note that we have not assessed the reliability of the net asset value of approximately US\$2,800 million of Mr. Li and his family as stated in the 2021 Forbes The World's Billionaires List.

As at the Latest Practicable Date, Mr. Li and Ms. Li indirectly hold interests in various companies listed in Hong Kong, including but not limited to the interest in the Company and China Shanshui Cement (691.HK), details of which are set out below. Shareholders should note that, we obtained information from public record, and it does not represent an exhaustive list of assets owned by Mr. Li.

Name of company	Total Shares		Pledged shares	Shares without the Pledged Shares (the "Relevant Shares")	
	Number	Market value HK\$' million (Note 1)		Number	Market value HK\$' million (Note 1)
The Company	2,044,484,822	12,410.0	720,000,000	1,324,484,822	7,933.7
China Shanshui Cement (691.HK)	951,462,000	<u>1,703.1</u>	951,462,000	0	<u>0</u>
Total		<u><u>14,113.1</u></u>			<u><u>7,933.7</u></u>

LETTER FROM INDEPENDENT FINANCIAL ADVISER

Notes:

1. The market value of the shares is based on the closing prices of the shares as at 15 November 2022.
2. Based on disclosure in the annual report of the Company for the twelve months ended 31 December 2021 and the disclosure of interest forms filed by Yu Kuo Company Limited (“**Yu Kuo**”) in 2022, as at the Latest Practicable Date, Yu Kuo pledged 720,000,000 shares of the Company in favour of third parties.
3. As disclosed in the interim report of China Shanshui Cement for the six months ended 30 June 2022, on 22 March 2016, Tianrui Group Company, the substantial shareholder of China Shanshui Cement, notified China Shanshui Cement that it has pledged 791,000,000 shares of China Shanshui Cement in favor of China Bohai Bank for a bank loan. On 25 April 2019, Tianrui Group Company has pledged an additional 160,462,000 shares of China Shanshui Cement held by it in favour of Bohai Bank for another bank loan.

Although we have not reviewed all assets owned by Mr. Li, we note that the market value of the Relevant Shares being approximately HK\$7,933.7 million based on the closing price of the Company on 15 November 2022 is well beyond the guarantee amount of RMB3,000 million under the Company Guarantee. On this basis, we have no reason to doubt ability of Mr. Li in fulfilling his obligation under the Counter Guarantee.

For the avoidance of doubt, none of the members of the Group will be considered to be a subsidiary of Tianrui Group Company for the purpose of the 2022 Framework Agreement. Pursuant to the 2022 Framework Agreement, no obligations under the Company Guarantee and Tianrui Group Guarantee shall be offset against each other.

The provision of the Guarantees by each party under the 2022 Framework Agreement will be subject to the guarantor having fully understood the borrower’s business obligations and financial position, and further in the case of Company Guarantee, it will also be subject to the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2022 Framework Agreement. For further details, please refer to the section headed “Risk management measures under the 2022 Framework Agreement” in the Letter from the Board.

As stated in the Letter from the Board, no security shall be provided over the assets of any member of the Group in relation to any of the Guarantees; and no commission is payable by the Company or Tianrui Group Company to each other in connection with any of the Guarantees. The proposed annual caps of Tianrui Group Guarantee are higher than those of Company Guarantee, and it is also expected that the amount to be utilised under Tianrui Group Guarantee is greater than the amount to be utilised under Company Guarantee. We understood from the management of the Company that commission (if any) in relation to guarantee is normally

LETTER FROM INDEPENDENT FINANCIAL ADVISER

calculated based on the annual amount of the guarantees. Therefore, the commission payable by the Company under the Tianrui Group Guarantee would be greater than that by Tianrui Group Company under the Company Guarantee, should any commission be payable. Based on the above, we concur with the Director's view that the 2022 Framework Agreement on a no commission and no security basis is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

5. *Conditions Precedent*

The Guarantees will be subject to the conditions precedent set out as follows:

- (i) the Company has complied with the requirements provided under the Listing Rules in respect of the transactions contemplated under the 2022 Framework Agreement;
- (ii) the 2022 Framework Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM in compliance with the Listing Rules; and
- (iii) the Counter Guarantee has been executed.

6. *Company Guarantee Annual Caps*

The proposed Company Guarantee Annual Caps, which are the same as those under the 2019 Framework Agreement, are set out as follows:

	Year ending 31 December		
	2023	2024	2025
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Maximum daily balance of the Company Guarantee	3,000	3,000	3,000

As stated in the Letter from the Board, the proposed Annual Caps for Company Guarantee were determined by the Board after taking into consideration the following factors:

- (a) funding needs of the Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for borrowings of approximately RMB875.6 million secured by Company Guarantee as of 30 September 2022; and

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- (b) increase in future capital requirements of Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business). As advised by the management of Tianrui Group Company, it is expected that approximately RMB2,200 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, new energy and other businesses.

The terms of the 2022 Framework Agreement remain materially the same as the 2019 Framework Agreement.

The management of the Company advised that approximately RMB2,200 million bank facilities is for the increase in future capital requirements, and Tianrui Group Company intends to invest in its tourism business, new energy business and foundry business.

In light of the above, we are of the view that the Company Guarantee Annual Caps are determined based on reasonable estimation, and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(4) Risk management measures under the 2022 Framework Agreement

As stated in the Letter from the Board, in order to minimise the risk exposure of the Company in relation to the Company Guarantee, the Board shall continue to establish a special committee (the “**Special Committee**”) comprising not less than three Directors and the majority of the committee members shall be independent non-executive Directors. The special committee shall, during the Term:

- (a) review and approve each Company Guarantee. The Special Committee has the right to fully understand the business operations and financial position of the borrower before approving each Company Guarantee. It would not constitute a breach of the 2022 Framework Agreement if, after a review of the financial position of the borrower, the Special Committee considers it inappropriate to approve such guarantee. To facilitate such review process, Tianrui Group Company and its subsidiaries shall promptly provide their financial statements and other relevant information as requested by the Special Committee. The Special Committee will take into account the following factors when approving such guarantee:
 - (i) no guarantee should be granted to a borrower with negative consolidated equity attributable to owners;
 - (ii) no guarantee should be granted to a borrower operating in aluminum-related business; and
 - (iii) no guarantee should be granted to a borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (b) monitor the implementation of each individual guarantee provided by the Company under the 2022 Framework Agreement;
- (c) consider the suitability of the guaranteed company;
- (d) periodically review and make sure no material adverse event or litigation issues will substantially affect the financial and operation of Tianrui Group Company and its subsidiaries and to determine the effect to the guarantee, including if they will constitute breach;
- (e) periodically review the management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group Company;
- (f) periodically review and examine any material adverse changes on the business, property, assets or operations of Tianrui Group Company, or its ability to perform any of its obligations under the 2022 Framework Agreement; and
- (g) periodically review and examine any material adverse change in foreign exchange risk and the policy risk under the 2022 Framework Agreement.

The risk management measures for the 2022 Framework Agreement remains the same as that for the 2019 Framework Agreement.

With implementation of periodic reviews set out as (d), (e), (f) and (g) above, the Special Committee will be able to determine the effect to the guarantees, including if they will constitute a breach.

The Special Committee periodically reviews the controls listed above through the following measures:

- (i) the committee members discuss and approve each new guarantee;
- (ii) members of the Board meets quarterly, gather, organise, consolidate and submit the relevant information to the Special Committee for review;
- (iii) the Board periodically (i.e. every six months) submits to the audit committee (members of which are also members of the Special Committee) to review the performance of specific guarantee matters. Based on our review of minutes of the review meetings held on 30 March 2020, 30 August 2020, 21 March 2021, 20 August 2021, 21 March 2022 and 19 August 2022, we are satisfied that the Company has put in place risk management measures to ensure that the transaction is conducted fairly and reasonably; and

LETTER FROM INDEPENDENT FINANCIAL ADVISER

- (iv) if the Board considered that there has been significant change to guarantees or where the Special Committee considered necessary, Special Committee will conduct follow-up reviews as and when appropriate. As advised by the management of the Company, since the execution of the 2019 Framework Agreement, review meetings were held on 30 October 2019, 27 August 2020, 15 January 2021, 26 October 2021 and 28 October 2022 and no special findings/exception were noted.

In relation to the Action disclosed under “(1) Background information of the parties to the 2022 Framework Agreement — (c) Information of Tianrui Group Company” above, the management advised that in the event where the Special Committee do find anything that will substantially affect the financial and operation of Tianrui Group Company arising from the Action, a special meeting will be called to assess the impact. The Special Committee will further obtain legal opinion, analyse the effect to the Company’s operation, and to make recommendation to the Company and the management, including whether to approve the grant of guarantee under the Company Guarantee.

After taking into account the risk management measures mentioned above and the documents we have reviewed, we concur with the Directors’ view that the risk exposure of the Company in relation to the Company Guarantee is minimised.

(5) Financial effects

As stated in the Letter from the Board, the Company Guarantee will initially be recognised as a liability in the consolidated financial statements of the Company, the specific value of which will be determined based on evaluation. The above liability will be amortised during the Term.

As stated in the annual reports of the Company for the year ended 31 December 2020 and the year ended 31 December 2021, the financial guarantee contracts of the Group in relation to the guarantees provided by the Company to Tianrui Group Company of approximately RMB11.6 million and approximately RMB10.9 million were recorded as current liabilities as at 31 December 2020 and 2021. The net asset values of the Group of approximately RMB14,822.9 million and RMB16,068.3 million were recorded as at 31 December 2020 and 31 December 2021 respectively. The outstanding balances of the guarantees provided by the Group to Tianrui Group Company were approximately RMB5,080.4 million and RMB4,377.7 million as at 31 December 2022 and 31 December 2021 respectively.

Having considered the historical impact on the net asset value of the Group and the amortisation cost of the guarantees provided by the Group to Tianrui Group Company for the years ended 31 December 2020 and 2021, we concur with the Directors’ view that, entering into the 2022 Framework Agreement is not likely to have substantial impact on the financial position of the Group.

LETTER FROM INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that although the entering into the Company Guarantee is not in the ordinary and usual course of business of the Company, we consider that the terms of the Company Guarantee are on normal commercial terms and including the Company Guarantee Annual Caps, are fair and reasonable so far as the Company and the Independent Shareholders are concerned and is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the transactions contemplated under the 2022 Framework Agreement and the Company Guarantee Annual Caps.

Yours faithfully,
For and on behalf of
SBI China Capital Hong Kong Securities Limited

Ringo Kwan
Managing Director

Evelyn Fan
Executive Director

Mr. Ringo Kwan and Ms. Evelyn Fan have been responsible officers of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong) since 2005 and 2012, respectively. Both of them have participated in the provision of independent financial advisory services for various types of transactions involving companies listed in Hong Kong.

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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/ Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58
Mrs. Li ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58

Notes:

- (1) Yu Kuo Company Limited (“**Yu Kuo**”) is 51.25% owned by Holy Eagle Company Limited (“**Holy Eagle**”) and 48.75% owned by Yu Qi Company Limited (“**Yu Qi**”) by equity interests. Each of Holy Eagle and Yu Qi are wholly owned by Tianrui (International) Holding Company Limited (“**Tianrui International**”), which is wholly owned by Tianrui Group Company. Tianrui Group Company is 70% owned by Mr. Li and 30% owned by Mrs. Li. Mr. Li and Mrs. Li are deemed to be interested in the shares held by Yu Kuo.
- (2) In 2022 and as at the Latest Practicable Date, Yu Kuo has filed disclosure of interest forms with respect to pledge of 70,000,000 shares in the Company and release of pledge of 190,000,000 shares in the Company.

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 ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Mr. Li	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Mrs. Li	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
The Export-Import Bank of China	Party with security interest over the shares/Long position	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/Long position	315,000,000	10.72
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/Long position	470,000,000	16.00
China Huarong International Holdings Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21
China Huarong (Macau) International Company Ltd	Interest of controlled corporation/Long position	170,000,000	5.79

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
China Cinda Asset Management Co., Ltd.	Interest of controlled corporation/Long position	260,000,000	8.85

Notes:

- (1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle is wholly owned by Tianrui International, whereas Tianrui International is wholly owned by Tianrui Group. Tianrui Group is 70% and 30% owned by Mr. Li and Mrs. Li respectively. Mr. Li, Mrs. Li, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo.
- (2) In 2022 and as at the Latest Practicable Date, Yu Kuo has filed disclosure of interest forms with respect to pledge of 70,000,000 shares in the Company and release of pledge of 190,000,000 shares in the Company.

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, none 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 Mr. Li and Mrs. Li) 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 of the Company 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 Mr. 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) representing approximately 21.85% 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 a 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 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. 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.

6. 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 2021 (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 purchase agreement entered into between Ruiping Shilong and Tianrui Cement dated 12 November 2021 (the “**2021 Clinker Purchase Agreement**”) and the limestone supply agreement entered into between Ruiping Shilong and Tianrui Cement dated 12 November 2021 (the “**2021 Limestone Supply Agreement**”), details of which have been disclosed in the announcement of the Company dated 12 November 2021; (ii) the deposit services agreement (the “**2022 Deposit Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 4 November 2022 and the financial services agreement (the “**2022 Financial Services Agreement**”) entered

into between Tianrui Cement and Tianrui Finance dated 4 November 2022, details of which have been disclosed in the announcement of the Company dated 4 November 2022; (iii) the 2022 Framework Agreement and the counter guarantee agreement (the “**2022 Counter Guarantee Agreement**”) entered into between the Company and Mr. Li dated 4 November 2022, details of which have been disclosed in the announcement of the Company dated 4 November 2022; and (iv) the deposit services agreement (the “**2019 Deposit Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 8 November 2019 and the financial services agreement (the “**2019 Financial Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 8 November 2019, details of which have been disclosed in the announcement of the Company dated 8 November 2019; and (v) 2022 Framework Agreement and Counter Guarantee Agreement, the salient details of which are set out in this circular.

7. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
SBI China Capital Hong Kong Securities Limited	a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Independent Financial Adviser 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, Independent Financial Adviser 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.

8. 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 2021 (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.

9. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Li Jiangming and Mr. Chen Kun.
- (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 2504, 25/F, Lippo Centre Tower 1, 89 Queensway, Admiralty, Hong Kong.
- (d) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

10. DOCUMENTS FOR DISPLAY

Copies of the following documents are published on the websites of the Hong Kong Exchanges and Clearing Limited (www.hkexnews.hk) and the Company (www.trcement.com) from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the 2022 Framework Agreement and the Counter Guarantee Agreement;
- (c) the letter from Board, the text of which is set out in this circular;
- (d) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (e) the letter from Independent Financial Adviser, the text of which is set out in this circular; and
- (f) the consent letter of Independent Financial Adviser as referred to in the section headed “Qualifications and Consent of Expert” in this Appendix.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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 11:00 a.m. on Wednesday, 21 December 2022 at Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT

- (i) the form and substance of the 2022 Framework Agreement dated 4 November 2022 (a copy of which is tabled at the EGM and signed by the chairman of the meeting for identification purpose) entered into between the Company, Tianrui Group Company Limited (天瑞集團股份有限公司) (“**Tianrui Group Company**”) and Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) (the “**2022 Framework Agreement**”) pursuant to which the parties thereto have agreed to grant guarantees to each other and the transactions contemplated under it be and are hereby approved, confirmed and ratified; and
- (ii) 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 2022 Framework Agreement and the Counter Guarantee Agreement (as defined in the circular of the Company dated 6 December 2022) and the transactions contemplated thereunder or incidental to the 2022 Framework Agreement 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 Xuanyu

Chairman

Ruzhou City, Henan Province, PRC, 6 December 2022

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (a) For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 16 December 2022 to Wednesday, 21 December 2022 (both dates inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Thursday, 15 December 2022.
- (b) 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.
- (c) 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).
- (d) 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.

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

Executive Directors

Mr. Li Xuanyu (*Chairman*), Mrs. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming

Non-executive Director

Mr. Li Liufa

Independent non-executive Directors

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