
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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CHINA TIANRUI GROUP CEMENT COMPANY LIMITED
中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1252)

**DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTION IN RELATION TO THE 2022 DEPOSIT
SERVICES AGREEMENT**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

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



軟庫中華
SBI China Capital

A letter from the Board is set out on pages 5 to 18 of this Circular. A letter from the Independent Board Committee is set out on pages 19 to 20 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 21 to 38 of this Circular.

A notice convening the EGM to be held at Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong on Wednesday, 21 December 2022 at 11:30 a.m. is set out on pages EGM-1 to EGM-3 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, unless the context otherwise requires, the following expressions have the following meanings:

“2019 Deposit Services Agreement”	the deposit services agreement dated 8 November 2019 entered into between Tianrui Finance and Tianrui Cement
“2019 Financial Services Agreement”	the financial services agreement dated 8 November 2019 entered into between Tianrui Finance and Tianrui Group Company
“2022 Deposit Services Agreement”	the deposit services agreement dated 4 November 2022 entered into between Tianrui Finance and Tianrui Cement
“2022 Financial Services Agreement”	the financial services agreement dated 4 November 2022 entered into between Tianrui Finance and Tianrui Group Company
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“BVI”	the British Virgin Islands
“CBRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“Cement Group”	Tianrui Cement and its subsidiaries
“Circular”	this circular dated 6 December 2022, which relates to the 2022 Deposit Services Agreement and the transactions contemplated thereunder
“Company”	China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Credit Services”	the provision of credit services by Tianrui Finance to member(s) of the Cement Group, including but not limited to loans, bill acceptance, discounted bills, and other forms of capital financing pursuant to the terms and provisions set out in the 2022 Financial Services Agreement

DEFINITIONS

“Deposit Services”	<i>inter alia</i> , demand deposit, saving deposit, notice deposit and agreed deposit services proposed to be provided by Tianrui Finance to member(s) of the Cement Group pursuant to the terms and provisions set out in the 2022 Deposit Services Agreement
“Deposit Services Annual Caps”	the annual caps for the maximum daily deposit amount (including the corresponding interests accrued thereon) by member(s) of the Cement Group with Tianrui Finance in relation to the Deposit Services for the three years ending 31 December 2025
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2023 or the date of the Independent Shareholders’ approval of the 2022 Deposit Services Agreement, whichever is the later
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the 2022 Deposit Services Agreement and the related proposed annual caps
“Group”	the Company and its subsidiaries from time to time
“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, established to advise the Independent Shareholders in respect of the terms of the 2022 Deposit Services Agreement and the related proposed annual caps and the transactions contemplated thereunder
“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 2022 Deposit Services Agreement and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Yu Kuo and those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the 2022 Deposit Services Agreement and the related proposed annual caps
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of our Directors, chief executives, substantial shareholders or any of our subsidiaries or any of their associates

DEFINITIONS

“Latest Practicable Date”	30 November 2022, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mr. Li”	Li Liufa (李留法), a non-executive director and a Controlling Shareholder of the Company
“Mrs. Li”	Mrs. Li Fengluan, the spouse of Mr. Li
“PBOC”	the People’s Bank of China, the central bank of the PRC with the statutory authority to, <i>inter alia</i> , control monetary policy in the PRC
“PRC”	the People’s Republic of China which, for the purposes of this circular, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Settlement Services”	the free cash clearance and settlement services provided by Tianrui Finance to member(s) of the Cement Group pursuant to the terms and provisions set out in the 2022 Financial Services Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a Company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Tianrui Finance”	Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司), a company established in the PRC with limited liability, owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 23% by Tianrui Travel and as to 5.25% by Tianrui Foundry

DEFINITIONS

“Tianrui Foundry”	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
“Tianrui Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability, owned as to 70% by Mr. Li and 30% by Mrs. Li
“Tianrui Travel”	Tianrui Travel Group Company Limited (天瑞旅遊集團股份有限公司), formerly known as Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is a Controlling Shareholder of the Company holding 69.58% of the issued share capital of the Company and the issued share capital of which is indirectly owned as to 70% by Mr. Li and as to 30% by Mrs. Li
“%”	per cent

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

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)

Executive Directors:

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

Registered Office:

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

Non-executive Director:

Mr. Li Liufa

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

No. 63 Guang Cheng Road East
Ruzhou City
Henan Province
PRC

Independent Non-executive Directors:

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

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,

**DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTION IN RELATION TO THE 2022 DEPOSIT
SERVICES AGREEMENT**

AND

NOTICE OF EXTRAORDINARY GENERAL MEETING

INTRODUCTION

Reference is made to the announcement of the Company dated 4 November 2022 in relation to the continuing connected transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement.

LETTER FROM THE BOARD

Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the 2022 Deposit Services Agreement and the Deposit Services Annual Caps at the EGM.

The purposes of this Circular are to provide you with (1) a letter from the Board containing further details of the 2022 Deposit Services Agreement and the Deposit Services Annual Caps; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2022 Deposit Services Agreement and the Deposit Services Annual Caps; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2022 Deposit Services Agreement and the Deposit Services Annual Caps; (4) notice of convening the EGM; and (5) other information as required under the Listing Rules.

BACKGROUND

Reference is made to the announcement of the Company dated 8 November 2019 and the circular dated 5 December 2019 in relation to the 2019 Deposit Services Agreement and the 2019 Financial Services Agreement, pursuant to which Tianrui Finance agreed to provide the Deposit Services, Credit Services and Settlement Services to Cement Group respectively, for a term up to 31 December 2022.

Accordingly, Tianrui Finance and Tianrui Cement entered into the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement for a term from 1 January 2023 up to 31 December 2025.

As disclosed in the announcement of the Company dated 4 November 2022, the 2022 Financial Services Agreement and the transaction contemplated thereunder are fully exempt connected transaction under the Listing Rules, while the 2022 Deposit Services Agreement and the transactions contemplated thereunder are subject to Independent Shareholders' approval. The purpose of this circular is to provide you with more information about the 2022 Deposit Services Agreement and the Deposit Services Annual Caps.

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

2022 DEPOSIT SERVICES AGREEMENT

Major terms of the 2022 Deposit Services Agreement are as follows:

Date:

4 November 2022 (after trading hours)

Parties:

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

LETTER FROM THE BOARD

Term:

The period commencing from 1 January 2023 to 31 December 2025

Major terms:

(i) Deposit Services

Tianrui Finance shall provide the Cement Group with the Deposit Services subject to the terms and conditions provided in the 2022 Deposit Services Agreement. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. The interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The interest accrued for the deposits is payable every quarter. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2023, 2024 and 2025 shall not exceed RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively.

However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, i.e. the total outstanding loan balance provided by Tianrui Finance to the Cement Group pursuant to the 2022 Financial Services Agreement. Furthermore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Cement Group in case of default by Tianrui Finance.

(ii) Set-off

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

(iii) Undertakings by Tianrui Finance:

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

- (a) it shall ensure the security and independence of the Cement Group's deposits and not impose any restriction thereon. Tianrui Finance shall only deposit the Cement Group's deposit into commercial banks with licence issued by the CBRC and be responsible for any loss sustained by the Cement Group arising from the security of its system;

LETTER FROM THE BOARD

- (b) it has the qualification and has obtained all necessary permits, approvals, licences required to carry out its obligations under the 2022 Deposit Services Agreement, and will provide the Deposit Services in accordance with “Measures for the Administration of Finance Companies of Enterprise Groups” 《企業集團財務公司管理辦法》;
- (c) it shall cooperate with the Cement Group in compliance with the disclosure requirements under the relevant rules and regulations regarding the connected transactions (as defined under the Listing Rules) contemplated under the 2022 Deposit Services Agreement;
- (d) it shall regularly supply annual audit report or such other financial information as requested by the Company, regularly disclose its operation and financial conditions to the Company, allow the Company’s auditors to review its accounting records for the purpose of complying with the Listing Rules and conduct regular checks on the deposits;
- (e) it shall notify the Company and take measures to prevent loss from occurring or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition; and
- (f) it will strictly comply with the risk regulatory indicators promulgated by the CBRC applicable to Tianrui Finance and ensure its major regulatory indicators such as the asset-liability ratio and liquidity ratio comply with the requirements of the CBRC and other relevant laws and regulations. Tianrui Finance is subject to the on-site supervision and management by the CBRC and is required to submit monthly, quarterly, interim and annual reports to the CBRC and the Company will review such report to ensure compliance by Tianrui Finance.

Financial ratio	Requirement	Formula	Financial Ratio of Tianrui Finance		
			As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
Capital Adequacy Ratio* (資本充足率)	Not less than 10%	Net Capital/Total Risk-Weighted Assets	30.78%	30.22%	37.71%
Non-performing Asset Ratio* (不良資產率)	Not more than 4%	Non-performing Assets/Total Assets with Credit-risk	0 (Note 1)	0 (Note 1)	0 (Note 1)
Non-performing Loan* (不良貸款率)	Not more than 5%	Non-performing Loans/Total Loans	0 (Note 1)	0 (Note 1)	0 (Note 1)
Liquidity Ratio* (流動性比例)	Not less than 25%	Current Assets/ Current Liabilities	40.44%	43.67%	101.18%
Fixed Assets Ratio* (自有固定資產比例)	Not more than 20%	Total Fixed Assets/ Total Equity	0 (Note 2)	0 (Note 2)	0 (Note 2)

LETTER FROM THE BOARD

Financial ratio	Requirement	Formula	Financial Ratio of Tianrui Finance		
			As at 31 December 2020	As at 31 December 2021	As at 30 June 2022
Investment Ratio (投資比例)	Not more than 70%	Short-term investment and Long-term investment/Total Equity	0 (Note 1)	0 (Note 1)	0 (Note 1)
Inter-bank Borrowing Ratio* (拆入資金比例)	Not more than 100%	Total Interbank Borrowing/Total Equity	83.11% (Note 1)	80.93% (Note 1)	80.45% (Note 1)
Guarantee Ratio* (擔保比例)	Not more than 100%	Guarantee Risk Exposure/Total Equity	25.69%	36.04%	37.62%

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

Note 2: Tianrui Finance had fixed asset of approximately RMB3,745.75, RMB2,407.63 and RMB1,738.57 as at 31 December 2020, 31 December 2021 and 30 June 2022 respectively. Thus, the fixed asset ratio was close to zero and recorded as zero.

(iv) Special Conditions

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

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

LETTER FROM THE BOARD

(v) Non-competition Clause

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

(vi) Conditions Precedents

The 2022 Deposit Services Agreement is conditional upon (i) the Independent Shareholders' approval of the 2022 Deposit Services Agreement and the arrangement of the Deposit Services at the EGM of the Company and (ii) other relevant approvals as may be required for the 2022 Deposit Services Agreement to take effect.

(vii) Termination

The 2022 Deposit Services Agreement shall not be terminated by any of the parties unilaterally.

In addition to the default events provided by the Contract Laws of the PRC, Tianrui Cement may terminate the 2022 Deposit Services Agreement with immediate effect if Tianrui Finance fails to fulfil its duties and complete its rectifications within the period prescribed by the CBRC, according to the Measures for the Administration of Finance Companies of Enterprise Groups 《企業集團財務公司管理辦法》 issued by the CBRC.

Upon termination of the 2022 Deposit Services Agreement, the Cement Group may withdraw all of its deposits with Tianrui Finance at any time. If there is any outstanding loan owed by the Cement Group, the Cement Group may negotiate with Tianrui Finance regarding the repayment amount and terms for the repayment of loan.

(viii) Indemnity

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

LETTER FROM THE BOARD

Proposed caps

The proposed annual caps for the maximum daily deposit amount (including the corresponding interests accrued thereon) by member(s) of the Cement Group with Tianrui Finance in relation to the Deposit Services are as follows, which are the same as those under the 2019 Deposit Services Agreement:

	From 1 January 2023 to 31 December 2023 (RMB)	From 1 January to 31 December 2024 (RMB)	From 1 January to 31 December 2025 (RMB)
Maximum daily balance of the Deposit Services	1,200 million	1,200 million	1,200 million

The annual cap under the 2019 Deposit Services Agreement are RMB1,200 million, RMB1,200 million and RMB1,200 million for the years ended 31 December 2020, 2021 and 2022 respectively.

The historical highest daily balance under the 2019 Deposit Services Agreement are as follows:

	From 1 January 2020 to 31 December 2020 (RMB)	From 1 January to 31 December 2021 (RMB)	From 1 January 2022 to 30 September 2022 (RMB)
Historical highest daily balance of the Deposit Services	1,181.9 million	1,128.0 million	1,128.0 million

Basis of the Proposed Annual Caps

The proposed annual caps for the Deposit Services were determined after taking into account of the following factors.

- (a) As disclosed in the 2022 interim report of the Company, the Group's cash and bank balance increased from RMB2,310.6 million as at 31 December 2021 to RMB2,497.2 million as at 30 June 2022, primarily due to the increase in cash inflows from operating activities during the six months ended 30 June 2022. The Directors expect the Group to continue to have extra idle cash. The Group's bank balance and cash on hand as at 30 June 2022 is higher than the proposed annual caps for the Deposit Services.

LETTER FROM THE BOARD

- (b) The Cement Group is not under any obligation to place deposits with the Tianrui Finance pursuant to the 2022 Deposit Services Agreement.

INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY

The followings will be adopted by the Company to ensure that the transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and in compliance with the Listing Rules:

- (a) in respect of the Deposit Services under the 2022 Deposit Services Agreement to be utilized by the Cement Group, the Group will adopt the following internal control measures:
 - (1) in respect of the Deposit Services under the 2022 Deposit Services Agreement to be utilized by the Cement Group, the personnel in the finance department of the Group is/are responsible for the comparing of the rate(s) offered by Tianrui Finance against the deposit rate(s) announced by the PBOC, and further against the deposit rate(s) offered by at least three major commercial banks in the PRC, to confirm the rate(s) offered by Tianrui Finance are more favorable to the Cement Group. The main criterion for selecting the three major commercial banks for benchmarking purpose are (i) previous volume of transactions with the Cement Group; and (ii) deposit interest rate which the banks offer. The main criterion for selecting financial institutions for providing deposit services are (i) the more favourable interest charges and fees that they can offer; and (ii) the previous business relationship with the institution.
 - (2) such information together with the daily deposit amount (with the corresponding accrued interests) will be consolidated and included in a report to be submitted to the chief financial officer of the Group for review, verification and approval.
 - (3) the Audit Committee of the Company reviews the quarterly reports to ensure the rates and terms offered to member(s) of the Cement Group for the Deposit Services complied with the terms and conditions under the 2022 Deposit Services Agreement and the aggregate daily deposit amount (with the corresponding accrued interests) with Tianrui Finance by the Cement Group shall not exceed the relevant proposed annual caps.
 - (4) financing will not be given to other entities which engaged in business competes with that of the Group.
 - (5) The Company's chief financial officer has been appointed as one of the directors of Tianrui Finance and is responsible for the management and day-to-day operation of Tianrui Finance. He will report any non-compliance and issues regarding to the internal control policies or financial to the Company immediately.

LETTER FROM THE BOARD

- (6) Quarterly reports about business performance, compliance, deposits and loans, and other services, and the financial statements (including profits and loss accounts and balance sheet) of Tianrui Finance prepared by Tianrui Finance in accordance with the related rules and regulations of CBRC, will be sent to the Cement Group and the Company for review and monitoring.
- (7) to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith, the Company considers the possible risks include default risk, regulation risk and corporate governance risk: (i) in assessing the default risks, the Company considers that since the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group, therefore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance; and (ii) in assessing regulation risks, the Company considers that Tianrui Finance is governed by the CBRC and is subjected to related rules and regulations and internal control measures. As mentioned in the 2022 Deposit Services Agreement, the Cement Group will review all the monitoring reports submitted to the CBRC to ensure the compliance. Tianrui Finance shall notify the Cement Group in writing within two business days once there are any non-compliance issues or penalties imposed by the CBRC; and (iii) in assessing the corporate governance risk, the Company's chief financial officer has been appointed as one of the directors of Tianrui Finance.
- (8) to ensure that the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds. Firstly, certain staff in the finance department of the Cement Group is/are assigned to conduct manual checks on the loan amount before deposit is made. Furthermore, the computing software systems to record and monitor the amount deposited by the Cement Group with Tianrui Finance will notify the finance department if the amount is about to reach the loan amount. The Cement Group will check to ensure that the amount due to Tianrui Finance is always higher than the amount deposited to Tianrui Finance before the Cement Group repays a loan due to Tianrui Finance.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 DEPOSIT SERVICES AGREEMENT

The 2022 Deposit Services Agreement and the 2022 Financial Services Agreement entered into by the respective parties is in the ordinary and usual course of business of the Group. The Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) considered that:

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

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

- (4) administration charges and fees chargeable by Tianrui Finance is less than commercial banks.
- (5) easier settlement arrangement among group members of the Group as every group member will open an account with Tianrui Finance and real-time settlement arrangement for transactions among the group members would be provided free of charge, also netting off of payments could shorten the settlement process.
- (6) Cement Group shall be entitled to the loan to be provided by Tianrui Finance pursuant to the 2022 Financial Services Agreement.

LETTER FROM THE BOARD

In view of the above, the Directors (including the independent non-executive Directors after taking into account the advice of the Independent Financial Adviser) considered that the terms of the 2022 Deposit Services Agreement and the Deposit Services Annual Caps are on normal commercial terms as compared to those available from independent third parties under the prevailing local market conditions.

INFORMATION OF THE GROUP AND TIANRUI FINANCE

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

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

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

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

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 have investment in different businesses such as foundry business, tourism, hotel business, energy and mining, 69.58% of the shareholding of the Company is indirectly owned by Tianrui Group Company. Tianrui Foundry and Tianrui Travel are subsidiaries of Tianrui Group Company.

LETTER FROM THE BOARD

LISTING RULES IMPLICATIONS

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo, a Controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As disclosed in the announcement of the Company dated 4 November 2022, the 2022 Financial Services Agreement and the transaction contemplated thereunder are fully exempt connected transaction under the Listing Rules.

As the highest applicable percentage ratio in respect of the Deposit Services under the 2022 Deposit Services Agreement exceeds 5% but is less than 25% as defined by the Listing Rules, the Deposit Services constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will also disclose the relevant details of the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

BOARD'S APPROVAL

Save for Mr. Li, Mrs. Li (Mr. Li's spouse), Mr. Li Xuanyu (Mr. Li Liufa's son), Mr. Li Jiangming (Mrs. Li's brother) and Mr. Xu Wuxue (a director of Tianrui Finance), all of the Directors have confirmed that none of them has any material interest in the 2022 Deposit Services Agreement, the 2022 Financial Services Agreement and the related proposed annual caps; and therefore no Director (except Mr. Li, Mrs. Li (Mr. Li's spouse), Mr. Li Xuanyu (Mr. Li Liufa's son), Mr. Li Jiangming and Mr. Xu Wuxue) is required to abstain from voting at the meeting of the Board to approve the 2022 Deposit Services Agreement, the 2022 Financial Services Agreement and the related proposed annual caps.

LETTER FROM THE BOARD

EGM

The Company will convene the EGM to be held at Unit 2413A, 24/F, Tower One, Lippo Centre, 89 Queensway, Admiralty, Hong Kong on Wednesday, 21 December 2022 at 11:30 a.m. for the purpose of considering, and if thought fit, approving the 2022 Deposit Services Agreement and the transactions contemplated therein (including the Deposit Service Annual Caps). Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. No shareholder, other than Yu Kuo, has a material interest in the 2022 Deposit Services Agreement, and is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the 2022 Deposit Services Agreement and the Deposit Service Annual Caps. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this Circular. The resolution in relation to the transactions contemplated under the 2022 Deposit Services Agreement (including the Deposit Service Annual Caps) will be put to vote by the Independent Shareholders at the EGM by way of poll.

Yu Kuo (a company indirectly held by Mr. Li and Mrs. Li), which held approximately 69.58% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at EGM on the resolutions relating to the 2022 Deposit Services Agreement and the transaction contemplated thereunder.

RECOMMENDATION

The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the 2022 Deposit Services Agreement and the transactions contemplated therein are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and more favourable to the Group than those of independent third parties and in the interests of the Company and the Shareholders as a whole, and the Deposit Services Annual Caps are fair and reasonable. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the 2022 Deposit Services Agreement, transactions contemplated under the 2022 Deposit Services Agreement and the Deposit Services Annual Caps for the period from the 1 January 2023 to 31 December 2025.

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.

LETTER FROM THE BOARD

GENERAL INFORMATION

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

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1252)

Independent Non-executive Directors:

Mr. Kong Xiangzhong

Mr. Wang Ping

Mr. Du Xiaotang

6 December 2022

To the Independent Shareholders

Dear Sir or Madam,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 DEPOSIT SERVICES AGREEMENT

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 as members of the Independent Board Committee to advise the Independent Shareholders in respect of the transactions under the 2022 Deposit Services Agreement and the Deposit Service Annual Caps relating thereto, details of which are set out in the “Letter from the Board” to the Circular, of which this letter forms a part.

We (i) have reviewed the terms of the 2022 Deposit Services Agreement which we are of view that such terms are principally in line with market practices; (ii) consider the fact that Tianrui Finance is governed by the CBRC and is subject to its satisfaction of the rules and operational requirements (which includes the compliance of the terms of the 2022 Deposit Services Agreement and the performance of the 2022 Deposit Services Agreement by

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Tianrui Finance); (iii) are in the opinion that the deposit services to be provided by Tianrui Finance are similar in nature with the deposit services provided by independent third parties in preceding years, which are for the Group's daily operation; and (iv) took into account the advice of the Independent Financial Adviser in relation thereto as set out in the Circular, we consider that the transactions under the 2022 Deposit Services Agreement and the proposed annual caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the transactions under the 2022 Deposit Services Agreement and the proposed annual caps relating thereto.

Yours faithfully,
Independent Board Committee

Kong Xiangzhong
Independent
non-executive director

Wang Ping
Independent
non-executive director

Du Xiaotang
Independent
non-executive director

LETTER FROM THE 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,

DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION IN RELATION TO THE 2022 DEPOSIT SERVICES AGREEMENT

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 Deposit Services 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 Deposit Services Agreement are on normal commercial terms and, including the relevant annual caps for the three years ending 31 December 2023, 2024 and 2025 (the “**Deposit Services 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 Tianrui Cement, a wholly-owned subsidiary of the Company entered into the 2022 Deposit Services Agreement with Tianrui Finance, pursuant to which Tianrui Finance agreed to provide the Deposit Services to Cement Group, for a term from 1 January 2023 up to 31 December 2025.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together own the entire issued share capital of Yu Kuo, a Controlling Shareholder. Accordingly, Tianrui Finance is a connected person of the Company; and the transactions contemplated under the 2022 Deposit Services 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 Deposit Services 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 Deposit Services Agreement and the Deposit Services 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 Deposit Services 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 Deposit Services Agreement are on normal commercial terms and, including the Deposit Services 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 the provision of mutual guarantees 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.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 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 prospect 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 2022 Deposit Services Agreement and the Deposit Services Annual Caps, we have considered the following principal factors and reasons:

(1) Background information of the parties to the 2022 Deposit Services 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. The following table sets out a summary of the recent financial performance of the Group based on the annual report for the year ended 31 December 2020 (the

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

“2020 Annual Report”), the annual report for the year ended 31 December 2021 (the “2021 Annual Report”) and the interim report for the six months ended 30 September 2022:

	For the year ended 31 December		For the six months ended 30 June	
	2020	2021	2021	2022
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (unaudited)	<i>RMB'000</i> (unaudited)
Revenue	12,170,754	12,716,775	5,732,761	5,321,033
Gross profit	4,197,961	3,233,825	1,753,881	1,448,998
Profit for the year/period	1,970,450	1,281,522	795,010	495,752
Cash and cash equivalents at end of year/period, represented by cash, deposits and bank balances (A)	2,412,115	2,310,631	2,278,558	2,497,183
Pledged bank balances at end of the year/period (B)	3,651,577	4,416,957	5,291,869	5,103,254
A + B =	6,063,692	6,727,588	7,570,427	7,600,437

Revenue of the Group was approximately RMB12,716.8 million for the year ended 31 December 2021, representing an increase of approximately 4.5% from approximately RMB12,170.8 million for the year ended 31 December 2020, mainly due to the increase in revenue from cement sales. Revenue from cement sales was approximately RMB11,405.7 million for the year ended 31 December 2021, representing an increase of RMB465.6 million, or 4.3%, as compared with 2020; even though the sales volume of cement decreased by 0.1 million tonnes or 0.4%, from approximately 35.8 million tonnes for the year ended 31 December 2020 to approximately 35.7 million tonnes for the year ended 31 December 2021. However, revenue of the Group recorded a decrease of approximately 7.2% from approximately RMB5,732.8 million for the year ended 31 December 2020, mainly due to the decrease in sales volume of cement. Revenue from cement sales was approximately RMB4,329.9 million, representing a decrease of approximately 14.9%, as compared with approximately RMB5,086.1 million in the same period of for the six months ended 30 June 2021. The Group’s sales volume of cement decreased by 4.1 million tonnes, or approximately 23.4%, from approximately 17.5 million tonnes in the first half of 2021 to approximately 13.4 million tonnes in the same period of 2022.

Gross profit of the Group recorded a decrease of approximately 23.0% from approximately RMB4,198.0 million for the year ended 31 December 2020 to approximately RMB3,233.8 million for the year ended 31 December 2021. Gross profit margin decreased to approximately 25.4% for the year ended 31 December 2021 from approximately 34.5% for the year ended 31 December 2020. The decrease in gross profit margin was primarily due to the increase in the price of cement in 2021 was smaller than the increase in the cost per tonne. Gross profit of the Group recorded a decrease of approximately 17.4% from approximately RMB1,753.9 million for the six months ended 30 June 2021 to approximately

RMB1,449.0 million for the six months ended 30 June 2022. The Group's gross profit margin decreased to approximately 27.2% in the first half of 2022, as compared with approximately 30.6% in the same period of 2021. The decrease in gross profit margin was primarily due to the increase in unit cost of cement in the first half of 2022.

Net profit of the Group decreased by approximately 35.0% from approximately RMB1,970.5 million for the year ended 31 December 2020 to approximately RMB1,281.5 million for the year ended 31 December 2021, mainly due to the increase in the cost of cement. Net profit of the Group decreased by approximately 37.7% from approximately RMB795.0 million for the six months ended 30 June 2021 to approximately RMB495.8 million for the six months ended 30 June 2022, mainly due to the increase in unit cost of cement.

Cash and cash equivalents and pledged bank balances of the Group increased from approximately RMB6,063.7 million as at 31 December 2020 to approximately RMB6,727.6 million as at 31 December 2021 further to approximately RMB7,600.4 million as at 30 June 2022.

b. Information of Tianrui Finance

As set out in the Letter from the Board, Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC. The approval of its establishment was endorsed by the China Banking and Insurance Regulatory Commission ("CBRC") on 20 July 2015 and it is authorised to provide a variety of financial services businesses approved by CBRC in accordance with relevant laws, administrative regulations and other regulations, the business scope is subject to those listed in the approval documents.

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

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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 have investment in different businesses such as foundry business, tourism, hotel business, energy and mining, 69.58% of the shareholding of the Company is indirectly owned by Tianrui Group Company. Tianrui Foundry and Tianrui Travel are subsidiaries of Tianrui Group Company.

Regulatory environment of Tianrui Finance

As a licensed non-bank financial institution in the PRC, Tianrui Finance is regulated and supervised by the CBRC under the Administrative Measures for Enterprise Group Finance Companies (the “**Administrative Measures**”). According to the Administrative Measures, Tianrui Finance must comply with the following risk regulatory indicators promulgated by CBRC.

Table below sets out certain key risk regulatory indicators, among others, stated in the Letter from the Board and as imposed by CBRC and the respective indicators of Tianrui Finance as at 31 December 2020, 31 December 2021 and 30 June 2022.

Financial ratio	Formula	Requirement	Financial ratios of Tianrui Finance		As of 30 June 2022
			As of 31 December 2020	As of 31 December 2021	
資本充足率 (Capital adequacy ratio)	Net Capital/ Total Risk- Weighted Assets	Not less than 10%	30.78%	30.22%	37.71%
不良資產率 (Non- performing asset ratio)	Non- performance Assets/Total Assets with Credit-risk	Not more than 4%	0	0	0
不良貸款率 (Non- performing loan ratio)	Non- performing Loans/Total Loans	Not more than 5%	0	0	0
流動性比例 (Liquidity ratio)	Current Assets/ Current Liabilities	Not less than 25%	40.44%	43.67%	101.18%
自有固定資產 比例 (Fixed assets ratio)	Total Fixed Assets/Total Equity	Not more than 20%	0	0	0
投資比例 (Investment ratio)	Short-term Investment and Long- term Investment/ Total Equity	Not more than 70%	0	0	0
拆入資金比例 (Inter-bank borrowing ratio)	Total Interbank Borrowing/ Total Equity	Not more than 100%	83.11%	80.93%	80.45%
擔保比例 (Guarantee ratio)	Guarantee Risk Exposure/ Total Equity	Not more than 100%	25.69%	36.04%	37.62%

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Notes:

1. Since Tianrui Finance did not have the related items, such as non-performing asset, bad loan, short-term securities investment, and long-term investment and borrowing, as at the above said date, the related ratios were recorded as zero.
2. Based on information provided by the management of the Company, Tianrui Finance had fixed asset of approximately RMB3,745.75, RMB2,407.63 and RMB1,738.57 as at 31 December 2020, 31 December 2021 and 30 June 2022 respectively. Thus, the fixed asset ratio was close to zero.

We understand from the management of the Company that Tianrui Finance complied with the risk regulatory indicators promulgated by CBRC as at 31 December 2020, 31 December 2021 and 30 June 2022; and up to the Latest Practicable Date, there was no record of non-compliance with the relevant laws, rules and regulations of the PRC applicable to Tianrui Finance.

Financial performance of Tianrui Finance

The table below sets out certain financial information of Tianrui Finance according to the audited annual report of Tianrui Finance for the year ended 31 December 2021 and the unaudited management accounts of Tianrui Finance for the six months ended 30 June 2022.

	For the year ended 31 December		For the six months ended 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Revenue	49,593	57,400	30,517
Net profit	27,122	26,902	19,395
	As at 31 December		As at 30 June
	2020	2021	2022
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(unaudited)
Net asset value	1,098,681	1,125,583	1,141,850

According to the Administrative Measures, a finance company has to suspend part of its operation in the event it incurs a loss more than 30% of its registered capital in a year or incur a loss more than 10% of its registered capital for three consecutive years. We note that Tianrui Finance recorded net profit of approximately RMB27.1 million, RMB26.9 million and RMB19.4 million respectively for the two years ended 31 December 2021 and the six months ended 30 June 2022 respectively. Furthermore, the net asset value of Tianrui Finance increased to approximately RMB1,141.9 million as at 30 June 2022 from approximately RMB1,125.6 million as at 31 December 2021.

We concur with the Directors' view that the risk of placing deposits with Tianrui Finance can be effectively controlled and monitored because (i) Tianrui Finance is a non-bank financial institution subject to the regulation of CBRC. Tianrui Finance complied with the risk regulatory indicators promulgated by CBRC as at 31 December 2021 and 30 June 2022; (ii) Tianrui Finance is a profit making company which has no indication that its operation will be suspended under the CBRC regulation; (iii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; and (iv) the Company is an indirect shareholder of Tianrui Finance, and as stated in the Letter from the Board, the Company's chief financial officer has been appointed as one of the directors of Tianrui Finance, it would have better access and understanding of information about the regulated operation through the general meeting of shareholders, board of directors and risk control committee of Tianrui Finance in order to promptly safeguard its own interests.

(2) Reasons for and benefits of the Deposit Services

As stated in the Letter from the Board, the Company entered into the 2022 Deposit Services Agreement after having considered, among others that:

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

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

After taking into account (i) the Cement Group requires the Deposit Services for its daily operation, which are in the ordinary and usual course of business of the Group; (ii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) the Deposit Services provide the flexibility, and do not impose an obligation, to the Cement Group to procure the Deposit Services from Tianrui Finance; and do not prevent the Cement Group from using services provided by independent financial institutions. The Group retains the discretion to select its financial service provider according to its business needs as well as fees and quality of the relevant services; (iv) the Company will closely monitor the financial position of Tianrui Finance as further discussed in the paragraph headed “Background information of the parties to the Deposit Services Agreement” above; and (v) it is a term of the 2022 Deposit Services Agreement that the interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC; and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period, we are of the view that the Deposit Services are considered in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

Furthermore, we have reviewed 2022 First Quarter Major Supervisory Indicators of Commercial Banking Institutions* (2022年一季度商業銀行主要監管指標情況表) and understand the capital adequacy ratio, bad debt ratio and current ratio of the PRC commercial banks in the first quarter of 2022 were approximately 15.02%, 1.69% and 61.22% respectively. As compared to the respective financial ratios of Tianrui Finance of approximately 37.71%, Nil and 101.18% as at 30 June 2022, Tianrui Finance’s financial ratios show a better performance than those of PRC commercial banks. Thus, the general risk of Tianrui Finance as a non-bank financial institution is not greater than that of the PRC commercial banks.

As shown in the paragraph headed “(1) Background information of the parties to the 2022 Deposit Services Agreement — b. Information of Tianrui Finance — Regulatory environment of Tianrui Finance” above, Tianrui Finance complied with the risk regulatory indicators promulgated by CBRC as at 31 December 2020, 31 December 2021 and 30 June 2022.

In addition, the Independent Shareholders should also note that the cash of the Group might be concentrated in Tianrui Finance in the future, and such deposits might be subject to liquidity risk in case the Group retrieves a substantial deposit amount from Tianrui Finance. Nonetheless, taking into account, in particular (i) Tianrui Finance complied with the relevant financial ratio requirements as set out in the Administrative Measures as at 31 December 2020, 31 December 2021 and 30 June 2022 and such financial ratio regulation is designed by CBRC to enhance the risk management and the capability of risk resistance; (ii) the general risk of Tianrui Finance as a non-bank financial institution is not greater than that of the PRC commercial banks; (iii) the amount deposited by the Cement Group in Tianrui Finance

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group, we are not aware of any major factor which would lead us to cast doubt on the ability of Tianrui Finance to fulfill its obligation on repaying deposit.

As advised by the management of the Company, in case the members of the Cement Group request to retrieve a significant amount of deposit from Tianrui Finance, Tianrui Finance may require additional fund to fulfill its obligation if needed, such as (i) interbank borrowing; (ii) sales of loan and credit asset; (iii) rediscounted bill from PBOC; and (iv) making loan from PBOC. In addressing the concern on Tianrui Finance's ability to repay the deposit requested by Cement Group in a timely manner, the management of the Company advised that funds through interbank borrowing to be obtained by Tianrui Finance are sufficient to cover the maximum of the Deposit Services Annual Caps. According to Measures for the Administration of Interbank Borrowings* (同業拆借管理辦法) published by the PBOC, the maximum amount of interbank borrowing should not exceed the paid-up capital of Tianrui Finance and Tianrui Finance should record a profit in the previous two years.

We have obtained and reviewed the business license of Tianrui Finance and note the registered capital of Tianrui Finance is RMB1,000 million. To the best knowledge of the Directors after having made reasonable enquiry and based on their experience, the settlement time on the interbank borrowing can be on the same day or a day after the loan is agreed. As shown in the news published in 2017 on the website of National Interbank Funding Center, Tianrui Finance is allowed to conduct borrowing/lending under the interbank borrowing market.

As advised by the management of the Company, Tianrui Finance will daily monitor the total available funds that can be borrowed by Tianrui Finance in interbank borrowing (i.e. the capital of Tianrui Finance minus the loan from interbank borrowing) (the "**Total Available Fund**") against the total amount deposited by the Cement Group with Tianrui Finance to ensure Total Available Fund shall exceed the total amount of such deposits. Accordingly, when the Total Available Fund reaches the level of total amount deposited by the Cement Group with Tianrui Finance, Tianrui Finance shall (i) not accept any additional deposit made by the Cement Group; and (ii) cease to enter into any new borrowing in the interbank borrowing market, until certain borrowings from the interbank borrowing market are repaid.

Having considered the above, in particular (i) there are means for Tianrui Finance to fulfill its obligation upon receiving deposit retrieval request; (ii) the maximum amount of interbank borrowing can be up to but not exceeding the paid-up capital of Tianrui Finance, which is RMB1,000 million; (iii) the transactions settlement time on the interbank borrowings can be on the same day or day after the loan is agreed; and (iv) Tianrui Finance will daily monitor the level of the total amount deposited by the Cement Group with Tianrui Finance against the Total Available Fund to ensure Tianrui Finance is capable to fulfill its obligation on the Cement Group's deposit

retrieval request, we have no reason to doubt the availability of alternative channels for Tianrui Finance to meet the Cement Group's deposit retrieval request in a timely manner.

The Independent Shareholders should note that the capability of Tianrui Finance to meet the Cement Group's deposit retrieval request in a timely manner might rely solely on the interbank borrowing, and the risk to fulfill its obligation in a timely manner is subject to the financial status of Tianrui Finance, the environment and regulation in the interbank borrowing market and the capability of Tianrui Finance to reach the loan with the members of the interbank borrowing market.

(3) Principal terms of the 2022 Deposit Services Agreement

The principal terms of the 2022 Deposit Services Agreement have been set out in the Letter from the Board and are summarised below.

According to the 2022 Deposit Services Agreement, Tianrui Finance shall provide the Cement Group with the Deposit Services for the period from 1 January 2023 up to 31 December 2025. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. The interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The interest accrued for the deposits is payable every quarter.

According to the 2022 Deposit Services Agreement, the daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2023, 2024 and 2025 shall not exceed RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively. However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, i.e. the total outstanding loan balance provided by Tianrui Finance to the Cement Group pursuant to the 2022 Financial Services Agreement. Furthermore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Cement Group in case of default by Tianrui Finance. We are of the view that the above arrangement can provide protection to the Group in the event that Tianrui Finance defaults its payment under the 2022 Deposit Services Agreement.

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

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Taking into account, (i) the pricing terms of the 2022 Deposit Services Agreement shall be no less favourable than those offered by Independent Third Parties for comparable services; and (ii) the offset mechanism of loan provided by Tianrui Finance and its affiliates to the Cement Group against the deposit placed by the Cement Group with Tianrui Finance provides protection to the Cement Group under the 2022 Deposit Services Agreement, we are of the view that the terms of the 2022 Deposit Services Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

The 2022 Deposit Services Annual Caps

The 2022 Deposit Services Annual Caps for the maximum daily deposit amount (including the corresponding interests accrued thereon) by member(s) of the Cement Group with Tianrui Finance in relation to the Deposit Services are as follows, which are the same as those under the 2019 Deposit Services Agreement:

	From 1 January to 31 December 2023	From 1 January to 31 December 2024	From 1 January to 31 December 2025
	<i>(RMB) million</i>	<i>(RMB) million</i>	<i>(RMB) million</i>
Maximum daily balance of the Deposit Services	1,200	1,200	1,200

The annual cap under the 2019 Deposit Services Agreement are RMB1,200 million, RMB1,200 million and RMB1,200 million for the years ended 31 December 2020, 2021 and 2022 respectively.

The historical highest daily balance under the 2019 Deposit Services Agreement are as follows:

	From 1 January to 31 December 2020	From 1 January to 31 December 2021	From 1 January to 30 September 2022
	<i>(RMB) million</i>	<i>(RMB) million</i>	<i>(RMB) million</i>
Maximum daily balance of the Deposit Services	1,181.9	1,128.0	1,128.0

As stated in the Letter from the Board, as disclosed in the 2022 interim report of the Company, the Group's cash and bank balance increased from RMB2,310.6 million as at 31 December 2021 to RMB2,497.2 million as at 30 June 2022, primarily due to the increase in cash inflows from operating activities during the six months ended 30 June 2022. The Directors expect the Group to continue to have extra idle cash. The Group's bank balance and cash on hand as at 30 June

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2022 is higher than the proposed annual caps for the Deposit Services. Also, the Cement Group is not under any obligation to place deposits with Tianrui Finance pursuant to the 2022 Deposit Services Agreement.

As advised by the management of the Company, the Cement Group will make deposit directly to the relevant commercial bank account provided by Tianrui Finance after having notified Tianrui Finance on the relevant deposit. The Company will make current deposit and time deposit according to the funding need of the Group at the time of making deposit. For retrieving current deposit, the Cement Group will verbally notify Tianrui Finance a day before the application of retrieving deposit for the amount of RMB10 million or above. For retrieving time deposit, the Cement Group will also verbally notify Tianrui Finance in advance before the application of retrieving deposit if the Cement Group wants to withdraw before the due date of the time deposit. The above arrangements are similar to operation flows of the Cement Group with the commercial banks in the PRC. In this regard, we (i) have been confirmed by the Company that the representative of the Company understood the application process of retrieving deposit with the commercial banks in the PRC; and (ii) reviewed the evidence of the member company's online application of retrieving deposit from Tianrui Finance.

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

Given (i) the Deposit Services provide the option, not an obligation, for the Cement Group to deposit its cash with Tianrui Finance; (ii) the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) the maximum monthly outstanding balance of deposit (excluding accrued interest) of

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the Cement Group for the years ended 31 December 2020 and 2021 and the six months ended 30 September 2022 were close to the 2019 Deposit Services Annual Caps; and (iv) Tianrui Finance has the same operation flow and the same time required in making deposit/retrieving deposit as commercial banks as mentioned above and thus there will not have material influence on the Cement Group in daily operation due to the use of the Deposit Services from Tianrui Finance instead of commercial banks, we consider that the 2022 Deposit Services Annual Caps are based on reasonable estimation and after due and careful consideration and are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

(4) Internal control and risk management

The Company will adopt the following internal control procedures to ensure that the transactions contemplated under the 2022 Deposit Services Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and in compliance with the Listing Rules, the details of which are set out in the paragraph headed “Internal control and risk management of the Company” in the Letter from the Board.

- (1) in respect of the Deposit Services under the 2022 Deposit Services Agreement to be utilised by the Cement Group, the personnel in the finance department of the Group is/are responsible for the comparing of the rate(s) offered by Tianrui Finance against the deposit rate(s) announced by the PBOC, and further against the deposit rate(s) offered by at least three major commercial banks in the PRC, to confirm the rate(s) offered by Tianrui Finance are more favorable to the Cement Group. The main criterion for selecting the three major commercial banks for benchmarking purpose are (i) previous volume of transactions with the Cement Group; and (ii) deposit interest rate which the banks offer. The main criterion for selecting financial institutions for providing deposit services are (i) the more favourable interest charges and fees that they can offer; and (ii) the previous business relationship with the institution.
- (2) such information together with the daily deposit amount (with the corresponding accrued interests) will be consolidated and included in a report to be submitted to the chief financial officer of the Group for review, verification and approval.
- (3) the Audit Committee of the Company reviews the quarterly reports to ensure the rates and terms offered to member(s) of the Cement Group for the Deposit Services complied with the terms and conditions under the 2022 Deposit Services Agreement and the aggregate daily deposit amount (with the corresponding accrued interests) with Tianrui Finance by the Cement Group shall not exceed the relevant proposed annual caps.
- (4) financing will not be given to other entities which engaged in business competes with that of the Group.

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- (5) the Company's chief financial officer has been appointed as one of the directors of Tianrui Finance and is responsible for the management and day-to-day operation of Tianrui Finance. He will report any non-compliance and issues regarding to the internal control policies or financial to the Company immediately.
- (6) quarterly reports about business performance, compliance, deposits and loans, and other services, and the financial statements (including profits and loss accounts and balance sheet) of Tianrui Finance prepared by Tianrui Finance in accordance with the related rules and regulations of CBRC, will be sent to the Cement Group and the Company for review and monitoring.
- (7) to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith, the Company considers the possible risks include default risk, regulation risk and corporate governance risk: (i) in assessing the default risks, the Company considers that since the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group, therefore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance; and (ii) in assessing regulation risks, the Company considers that Tianrui Finance is governed by the CBRC and is subject to related rules and regulations and internal control measures. As mentioned in the 2022 Deposit Services Agreement, the Cement Group will review all the monitoring reports submitted to the CBRC to ensure the compliance. Tianrui Finance shall notify the Cement Group in writing within two business days once there are any non-compliance issues or penalties imposed by the CBRC and (iii) in assessing the corporate governance risk, the Company's chief financial officer has been appointed as one of the directors of Tianrui Finance.
- (8) to ensure that the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds. Firstly, certain staff in the finance department of the Cement Group is/are assigned to conduct manual checks on the loan amount before deposit is made. Furthermore, the computing software systems to record and monitor the amount deposited by the Cement Group with Tianrui Finance will notify the finance department if the amount is about to reach the loan amount. The Cement Group will check to ensure that the amount due to Tianrui Finance is always higher than the amount deposited to Tianrui Finance before the Cement Group repays a loan due to Tianrui Finance.

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We are advised by the management of the Company that:

- (a) the head of finance department of the Group has confirmed that:
 - (1) he is aware of the finance responsibility of interest rate comparison and generating related report on each of the deposit transaction;
 - (2) he is aware of the finance department's responsibility to monitor the level of the Cement Group's loan received from Tianrui Finance and the level of Cement Group's deposit placed to Tianrui Finance;
- (b) the Company's chief financial officer has confirmed that:
 - (1) he is responsible for reviewing and approving a monthly report with aforesaid Tianrui Finance's deposit rate comparison;
 - (2) he is aware of his responsibility of reviewing and monitoring reports submitted to the CBRC;
 - (3) he is aware of his responsibility for the management and day-to-day operation of Tianrui Finance and reporting any related non-compliance to the Group and also ensuring the financing from Tianrui Finance shall not be given to other entities which engaged in business competes with that of the Group;
- (c) the chairman of the Audit Committee has confirmed that:
 - (1) he is aware of his responsibility of reviewing and monitoring the quarterly report related to business performance, compliance, deposits and loans, and other services, and the financial statements of Tianrui Finance; and
 - (2) he is aware of his responsibility of ensuring the rates and terms offered to member(s) of the Cement Group for the Deposit Services complied with the terms and conditions under the 2019 Deposit Services Agreement.

For our due diligence purpose and to review the internal control procedures in relation to price setting and monitoring of annual caps, we have obtained and reviewed three samples of monthly reports approved by the senior management of the finance department of the Company for the period from March 2022 to October 2022. These monthly reports reflected the comparison of deposit rates offered by Tianrui Finance against those offered by three major commercial banks in the PRC. Also, we have obtained and reviewed three samples of daily summaries approved by the responsible personnel in the finance department of the Company for the period from April 2022 to June 2022. These daily summaries reflected that the amount due to Tianrui Finance

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and the amount deposited to Tianrui Finance. Based on our review, we note that the Company has put in place internal control measures to ensure that the transactions are conducted fairly and reasonably.

Furthermore, we have reviewed the 2020 Annual Report and the 2021 Annual Report and note that the independent non-executive directors had reviewed and confirmed that the continuing connected transactions were entered into (i) in the ordinary and usual course of business of the Group, and either on normal commercial terms or on terms no less favourable to the Group than terms available to or from Independent Third Parties; or (ii) not in the normal and ordinary course of business of the Group, but on commercial terms more favourable to the Group; and (iii) in accordance with the relevant agreements governing them on terms that were fair and reasonable and in the interests of the Shareholders as a whole. Moreover, the auditor had issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed in the 2020 Annual Report and the 2021 Annual Report by the Group in accordance with Rule 14A.56 of the Listing Rules. The management of the Company advised that the Company will continue to comply with the relevant Listing Rules requirements on an ongoing basis.

Given that (i) there are sufficient internal control procedures for the Group to ensure that the deposit interest rates to be offered by Tianrui Finance to the Cement Group will be higher than the interest rates of the PBOC's benchmark interest rate, and the interest rate offered by major commercial banks in the PRC for similar deposits of similar terms; (ii) there are sufficient internal control procedures for the Group to ensure the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group; (iii) there are sufficient internal control procedures for the Group to ensure that Tianrui Finance has a healthy operation and financial status, which reduce the possibility of default; and (iv) the relevant persons of the Company understand their responsibilities to implement the internal control procedures, we are of the view that there are sufficient internal control procedures in place to ensure transactions contemplated under the 2022 Deposit Services Agreement will be conducted on normal commercial terms and fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that the transactions contemplated under the 2022 Deposit Services Agreement are in the ordinary and usual course of business of the Company, the terms of the 2022 Deposit Services Agreement are on normal commercial terms and including the Deposit Services 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

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Independent Shareholders to vote in favor of the relevant resolution at the EGM to approve the transactions contemplated under the 2022 Deposit Services Agreement and the Deposit Services 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 (the “**2022 Framework Agreement**”) entered into between Tianrui Group Company, Tianrui Cement and the Company dated 4 November 2022 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) the framework agreement (the “**2019 Framework Agreement**”) entered into between Tianrui Group Company, Tianrui Cement and the Company dated 8 November 2019 and the counter guarantee agreement (the “**2019 Counter Guarantee Agreement**”) entered into between the Company and Mr. Li dated 8 November 2019, details of which have been disclosed in the announcement of the Company dated 8 November 2019.

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 Deposit Services Agreement and the 2022 Financial Services 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 11:30 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 deposit services agreement (“**2022 Deposit Services Agreement**”) dated 4 November 2022 entered into between Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) and Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司) (“**Tianrui Finance**”) (copy of which have been produced to the meeting marked “A” and initialed by the chairman of the meeting for the purpose of identification) in relation to the provision of a range of deposit services by Tianrui Finance to Tianrui Cement and its subsidiaries (collectively, the “**Cement Group**”), including but not limited to the provision of the deposit services as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (ii) the proposed maximum daily outstanding balance of deposits placed by the Cement Group with Tianrui Finance (including any interest accrued therefrom) in the amount not exceeding RMB1,200 million, RMB1,200 million and RMB1,200 million for the years ending 31 December 2022, 2023 and 2024 be and is hereby approved;
- (iii) any one of the directors of the Company (each a “**Director**”) be and is hereby authorised to take all steps, for and on behalf of the Company, which are in his opinion necessary or expedient to implement and/or give effect to the terms of the 2022 Deposit Services Agreement; and

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (iv) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of The 2022 Deposit Services Agreement and the related proposed annual caps and the transactions contemplated thereunder or incidental to the 2022 Deposit Services Agreement and the related proposed annual caps and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the guarantee and are in the best interests of the Company.”

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

Ruzhou City, Henan Province, PRC, 6 December 2022

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 or her 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).

NOTICE OF EXTRAORDINARY GENERAL MEETING

- (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*), Ms. 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