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

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

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

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**CHINA TIANRUI GROUP CEMENT COMPANY LIMITED**  
**中國天瑞集團水泥有限公司**  
*(Incorporated in the Cayman Islands with limited liability)*  
**(Stock code: 1252)**

**CONTINUING CONNECTED TRANSACTION:  
CLINKER SUPPLY FRAMEWORK AGREEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**Independent Financial Adviser  
to the Independent Board Committee and the independent Shareholders**  
*CLC International Limited*

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A letter from the Board is set out on pages 4 to 10 of this Circular. A letter from the Independent Board Committee is set out on pages 11 to 12 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 13 to 22 of this Circular.

A notice convening the EGM to be held at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Thursday, 21 November 2019 at 2:30 p.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](http://www.hkex.com.hk)). Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 48 hours before the time designated for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

31 October 2019

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	4
<b>Letter from the Independent Board Committee</b> .....	11
<b>Letter from the Independent Financial Adviser</b> .....	13
<b>Appendix I — Financial Information of the Group</b> .....	I-1
<b>Appendix II — General Information</b> .....	II-1
<b>Notice of Extraordinary General Meeting</b> .....	EGM-1

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## DEFINITIONS

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

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the chairman and a Controlling Shareholder of the Company
“Clinker Annual Caps”	the respective annual caps for each of the three years ending 31 December 2019, 2020 and 2021 under the Clinker Supply Framework Agreement
“Clinker Supply Framework Agreement”	the agreement dated 16 October 2019 entered into between Ruiping Shilong and Tianrui Cement in relation to the purchase of clinker
“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
“Director(s)”	the director(s) of the Company
“Effective Date”	the date of the Independent Shareholders’ approval of the Clinker Supply Framework Agreement
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the Clinker Supply Framework Agreement and the Clinker Annual Caps
“Existing Clinker Supply Agreement”	the clinker supply agreement dated 1 April 2019 entered into between Ruiping Shilong and Tianrui Cement in relation to the purchase of clinker
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong

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## DEFINITIONS

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“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the Clinker Supply Framework Agreement and the Clinker Annual Caps and the transactions contemplated thereunder
“Independent Financial Adviser”	CLC International Limited (創僑國際有限公司), the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Clinker Supply Framework Agreement and the Clinker Annual Caps
“Independent Shareholder(s)”	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 Clinker Supply Framework Agreement and the Clinker Annual Caps
“Independent Third Party(ies)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	28 October 2019, 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
“Ms. Li”	Li Fengluan, the spouse of Chairman Li and an executive Director of the Company
“PRC”	the People’s Republic of China which, for the purposes of this Circular, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiping Shilong”	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares

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## DEFINITIONS

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“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), the Company’s indirectly wholly-owned subsidiary
“Tianrui Group”	Tianrui Group Company and its subsidiaries
“Tianrui Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability, owned as to 70% by Chairman Li and 30% by Ms. Li Fengluan, the spouse of Chairman Li
“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 Chairman Li and as to 30% by Ms. Li
“%”	per cent

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

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LETTER FROM THE BOARD

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1252)**

*Chairman and Non-executive Director:*  
Mr. Li Liufa

*Executive Directors:*  
Ms. Li Fengluan  
Mr. Ding Jifeng  
Mr. Xu Wuxue  
Mr. Li Jiangming

*Independent Non-executive Directors:*  
Mr. Kong Xiangzhong  
Mr. Wang Ping  
Mr. Du Xiaotang

*Registered Office:*  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Headquarters and Principal Place  
of Business in the PRC:*  
No. 63 Guang Cheng Road East  
Ruzhou City  
Hanan Province  
PRC

*Place of Business in Hong Kong:*  
Room 2005A, 20/F., Lippo Centre Tower 2  
89 Queensway, Admiralty  
Hong Kong

31 October 2019

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION:  
CLINKER SUPPLY FRAMEWORK AGREEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 16 October 2019 in relation to the continuing connected transaction contemplated under the Clinker Supply Framework Agreement.

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## LETTER FROM THE BOARD

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Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the Clinker Supply Framework Agreement and the Clinker 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 Clinker Supply Framework Agreement and the Clinker Annual Caps; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Clinker Supply Framework Agreement and the Clinker Annual Caps; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Clinker Supply Framework Agreement and the Clinker 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 7 April 2019 with respect to the Existing Clinker Supply Framework Agreement.

While the Existing Clinker Supply Framework Agreement was entered into on 1 April 2019 and will expire on 31 December 2021, it is contemplated that the actual transaction amount may exceed the Clinker Annual Caps under the Existing Clinker Supply Framework Agreement, and accordingly the parties entered into the Clinker Supply Framework Agreement to supersede the Existing Clinker Supply Framework Agreement. Details of the Clinker Supply Framework Agreement are set out below.

### **CLINKER SUPPLY FRAMEWORK AGREEMENT**

#### **Date**

16 October 2019 (after trading hours)

#### **Parties**

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

#### **Term**

The Clinker Supply Framework Agreement shall be effective from the Effective Date to 31 December 2021.

#### **Principal Terms**

The Clinker Supply Framework Agreement sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan Province, the PRC.

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## LETTER FROM THE BOARD

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### Implementation Agreement

Tianrui Cement and/or its subsidiaries may, from time to time and as necessary, enter into separate implementation agreement for each specific transaction contemplated under the Clinker Supply Framework Agreement. Each implementation agreement will set out specific details of the transaction, including price, quantity and other relevant details, and each implementation agreement will be based on the requirements of Tianrui Cement or its subsidiaries, with reference to market conditions at the relevant time.

### Clinker Annual Caps

It is agreed that the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed Clinker Annual Caps for the year ending		
	31 December 2019	31 December 2020	31 December 2021
Total purchase amount	RMB800,000,000	RMB1,000,000,000	RMB1,000,000,000

*Note:* the existing cap for the years ending 31 December 2019, 2020 and 2021 under the Existing Clinker Framework Agreement are RMB500,000,000, RMB500,000,000 and RMB500,000,000.

The Clinker Annual Caps are determined by taking into account the following factors:

- (i) The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the year ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019 were approximately RMB163,568,000, RMB298,744,000, RMB298,003,000 and RMB441,500,000 respectively. In particular, the historical aggregate value for purchase of clinker during the eight months ended 31 August 2019 is RMB441,500,000, which is already approaching the existing annual cap of RMB500,000,000 under the Existing Clinker Supply Framework Agreement.
- (ii) Clinker is a semi-finished product that can be used to produce different types of cement products. As stated in the 2019 interim report of the Company, the revenue from cement sales was approximately RMB5,138.8 million in the first half of 2019, representing an increase of 23.0% as compared to RMB4,177.6 million in the same period of 2018. Accordingly, the increase of the proposed Clinker Annual Caps as compared with the existing annual caps is in line with the aforesaid increase in cement sales during the first half of 2019.



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## LETTER FROM THE BOARD

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### GENERAL PRICING PRINCIPLES

In line with the Existing Clinker Supply Framework Agreement, for the clinker provided under the Clinker Supply Framework Agreement to Tianrui Cement and/or its subsidiaries by Ruiping Shilong, Tianrui Cement will obtain at least two price quotes from the Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable and no less favourable than those quotes offered by the Independent Third Parties. Tianrui Cement will also take into consideration some independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. Tianrui Cement will ensure the terms of the Clinker Supply Framework Agreement are no less favourable than those terms offered by Ruiping Shilong to the Independent Third Parties. After all the foregoing analysis, the proposed clinker prices and terms of the Clinker Supply Framework Agreement will be submitted to the management of the Group for approval.

The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conducts an annual review of the implementation enforcement of the continuing connected transactions.

### REASONS AND BENEFITS FOR ENTERING INTO THE CLINKER SUPPLY FRAMEWORK AGREEMENT

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors: (1) the market status and trend of the Group's target market, which attributes to the Group's gradual increasing need of clinker, the Board is optimistic that investments in fixed assets, infrastructure and real estate development, greater support from the government is expected to maintain a steady growth, which backs the demand of cement in the future; (2) as stated in the 2019 interim report of the Company for the six months ended 30 June 2019, the Group recorded a revenue of approximately RMB5,494.7 million, representing an increase of approximately RMB1,188.1 million or 27.6% compared to the same period in 2018. The profit attributable to owners of the Company amounted to approximately RM887 million, representing an increase of approximately RMB336.2 million or 61% from approximately RMB550.8 million in the first six months of 2018. In particular, the revenue from cement sales was approximately RMB5,138.8 million in the first half of 2019, representing an increase of 23.0% as compared to RMB4,177.6 million in the same period of 2018. The Directors are optimistic of the growth in cement sales which will lead to a greater demand for clinker as one of the raw materials to produce cement products; (3) with the benefit of being within proximity of the Group's cement production base in Hennan Province, PRC, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; (4) the Group's long-established relationship with Ruiping Shilong; and (5) the prices of clinker provided by Ruiping Shilong are more favourable to

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## LETTER FROM THE BOARD

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the Group than the prices quoted by Independent Third Parties, the Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the terms of the supply of clinker under the Clinker Supply Framework Agreement, including the Clinker Annual Caps for each of the three years ending 31 December 2019, 2020 and 2021, respectively, are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

Your attention is also drawn to the “Letters from the Independent Board Committee” and “Letter from the Independent Financial Adviser” and their respective recommendations set out on pages 11 to 12 and pages 13 to 22 of this circular, respectively.

### **PRINCIPAL BUSINESS OF THE GROUP AND RUIPING SHILONG**

The Group is principally engaged in businesses to the production, sale and distribution of clinker and cement.

Ruiping Shilong is mainly engaged in production, sale and distribution of clinker.

### **IMPLICATIONS UNDER THE LISTING RULES**

As set out in the announcement dated 16 October 2019, the transaction contemplated under the Clinker Supply Framework Agreement was initially classified as discloseable transaction under Chapter 14 of the Listing Rules. Upon further analysis of the Listing Rules implications, the Board is of the view that since the supply of the Clinkers under the Clinker Supply Framework Agreement is revenue in nature in the ordinary and usual course of business of the Group, the transaction contemplated thereunder does not constitute a notifiable transaction under Chapter 14 of the Listing Rules. It is hereby clarified that the transaction under the Clinker Supply Framework Agreement is not a discloseable transaction as initially disclosed in the announcement of the Company dated 16 October 2019.

Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the Clinker Supply Framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Clinker Annual Caps under the Clinker Supply Framework Agreement exceed 5% but less than 25%, the transactions contemplated under the Clinker Supply Framework Agreement are subject to reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Company will also disclose the relevant details of the Clinker Supply Framework 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.

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## LETTER FROM THE BOARD

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### BOARD'S APPROVAL

As Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Chairman Li and Ms. Li (Chairman Li's spouse), and Mr. Li Jiangming (who is a younger brother of Ms. Li) had abstained from voting on the relevant board resolution approving the Clinker Supply Framework Agreement. Save as mentioned above, none of the Directors has any material interest in the transaction thereunder and therefore no other Director has abstained from voting on such board resolution.

### EGM

The Company will convene the EGM to be held at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong on Thursday, 21 November 2019 at 2:30 p.m. for the purpose of considering, and if thought fit, approving the Clinker Supply Framework Agreement and the transactions contemplated therein (including the Clinker 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 Clinker Supply Framework Agreement, and is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the Clinker Supply Framework Agreement and the Clinker 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 Clinker Supply Framework Agreement (including the Clinker 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 Chairman Li and Ms. 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 Clinker Supply Framework 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 Clinker Supply Framework 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 Clinker 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 Clinker Supply Framework Agreement, transactions contemplated under the Clinker Supply Framework Agreement and the Clinker Annual Caps for the period from the Effective Date to 31 December 2021.

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## LETTER FROM THE BOARD

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### GENERAL INFORMATION

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

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

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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



**CHINA TIANRUI GROUP CEMENT COMPANY LIMITED**

**中國天瑞集團水泥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1252)**

*Independent Non-executive Directors:*

Mr. Kong Xiangzhong

Mr. Wang Ping

Mr. Du Xiaotang

31 October 2019

*To the Independent Shareholders*

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION: CLINKER SUPPLY FRAMEWORK AGREEMENT**

We refer to the Circular of the Company dated 31 October 2019 (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 Clinker Supply Framework Agreement and the Clinker 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 Clinker Supply Framework Agreement which we are of view that such terms are principally in line with market practices; (ii) are in the opinion that the clinker to be supplied by Ruiping Shilong are similar in nature with the clinker supplied by Independent Third Parties in preceding years, which are for the Group’s daily operation; and (iii) took into account the advice of the Independent Financial Adviser in relation thereto as set out on pages 13 to 22 of the Circular, we consider that the transactions under the Clinker Supply Framework Agreement and the Clinker 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,

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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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 Clinker Supply Framework Agreement and the Clinker Annual Caps relating thereto.

Yours faithfully,  
**Independent Board Committee**

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

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

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

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of a letter of advice from CLC International Limited to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



31 October 2019

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

Dear Sir or Madam,

### **CONTINUING CONNECTED TRANSACTION: CLINKER SUPPLY FRAMEWORK AGREEMENT**

#### **INTRODUCTION**

We refer to our appointment as independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Clinker Supply Framework Agreement and the Clinker Annual Caps for the years ending 31 December 2019 to 31 December 2021 (the “**Clinker Annual Caps**”), details of which are set out in the Letter from the Board (the “**Letter from the Board**”) contained in the circular of China Tianrui Group Cement Company Limited (the “**Company**”) dated 31 October 2019 issued to the Shareholders (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 otherwise defined.

Reference is made to the announcement of the Company dated 7 April 2019 with respect to the Existing Clinker Supply Agreement (the “**Existing Clinker Supply Agreement**”) dated 1 April 2019 entered into between Tianrui Cement Group Limited (the “**Tianrui Cement**”) and Pingdingshan Ruiping Shilong Cement Company Limited (the “**Ruiping Shilong**”).

While the Existing Clinker Supply Agreement was entered into on 1 April 2019 and will expire on 31 December 2021, it is contemplated that the actual transaction amount may exceed the existing annual caps under the Existing Clinker Supply Agreement, and accordingly the parties entered into the Clinker Supply Framework Agreement to supersede the Existing Clinker Supply Agreement.

Since Chairman Li and Ms. Li (Chairman Li’s spouse) indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transaction under the Clinker Supply Framework Agreement will constitute a continuing connected transaction under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Clinker Annual Caps under the Clinker Supply

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Framework Agreement exceed 5% but less than 25%, the transaction contemplated under the Clinker Supply Framework Agreement is subject to reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, has been established to give advice and recommendation to the Independent Shareholders in relation to the Clinker Supply Framework Agreement, and as to whether the Clinker Annual Caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole, and to advise the Independent Shareholders on how to vote, taking into account the recommendations of the Independent Financial Adviser in relation to the Clinker Supply Framework Agreement and the Clinker Annual Caps for the years ending 31 December 2019 to 31 December 2021. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Clinker Supply Framework Agreement and the Clinker Annual Caps.

### **OUR INDEPENDENCE**

We did not have any relationships or interest with the Company or any other parties that could reasonably be regarded as relevant to our independence. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fees or benefits from the Company or any of their subsidiaries or their respective substantial shareholders or associates.

We are not aware of any relationships or interest between us and the Company or any other parties that could reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule, and accordingly, we confirm we are independent to act as the Independence Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the Clinker Supply Framework Agreement and the Clinker Annual Caps.

### **BASIS OF OUR OPINION**

In arriving at our opinion and recommendation, we have relied on the statements, information and representations contained in (i) the Circular; (ii) the annual reports of the Company for the two years ended 31 December 2017 and 2018; and (iii) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, Directors and the management of the Company. We have assumed that all such information, opinions, facts and representations contained or referred to in the Circular, for which the Company is fully responsible, were true and accurate in all respects as at the date hereof and may be relied upon. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company, and the Company has confirmed that no material facts have been withheld or omitted from the information provided and referred to in the Circular, which would make any statement therein misleading.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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

### PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion and recommendation in relation to the Clinker Supply Framework Agreement and the Clinker Annual Caps, we have taken into account the following principal factors and reasons:

#### 1. Background information of the parties to the Clinker Supply Framework Agreement

##### *a. Information of the Group*

The Group is a leading clinker and cement producer in Henan and Liaoning provinces, the PRC. The principal businesses of the Group are carried by Tianrui Cement and its subsidiaries and range from excavation of limestone to production, sales and distribution of clinker and cement.

##### *Summary consolidated statement of profit or loss of the Group*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Sales of cement	9,100,016	7,868,229
Sales of clinker	813,292	552,322
Sales of limestone aggregate	<u>147,339</u>	<u>—</u>
<b>Turnover</b>	10,060,647	8,420,551
<b>Gross profit</b>	3,273,488	2,396,894
<b>Profit for the year attributable to the equity shareholders of the Company</b>	1,212,547	1,001,764

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Summary consolidated statement of financial position of the Group*

	<b>For the year ended</b>	
	<b>31 December</b>	
	<b>2018</b>	<b>2017</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total assets	28,553,706	25,904,081
Total liabilities	17,474,586	15,968,310
Net assets	11,079,120	9,935,771

As set out in the 2018 Annual Report, the Group sold approximately 29.4 million tons of cement in 2018, an increase of approximately 0.1 million tons or 0.4% compared with approximately 29.3 million tons in 2017, of which, the sales volume of cement in Henan and the northeastern region was approximately 22.3 million tons and approximately 7.1 million tons, respectively, representing a yearly decrease of 0.2 million tons and increase of 0.3 million tons, respectively.

The Group sold approximately 2.8 million tons of clinker in 2018, an increase of 0.6 million tons or 26.3% compared with approximately 2.2 million tons in 2017, of which, the sales volume of clinker in Henan and the northeastern region was 1.3 million tons and approximately 1.5 million tons, respectively, representing a yearly increase of 0.6 million tons for Henan and the same level as 2017 for the northeastern region.

The Group sold approximately 3.2 million tons of limestone aggregate in 2018, a decrease of 0.4 million tons or 11.8% compared with approximately 3.6 million tons in 2017.

The average selling price of cement of the Group increased from approximately RMB268.7 per ton in 2017 to approximately RMB309.3 per ton in 2018, representing an increase of RMB40.6 per ton or approximately 15.1%, of which, the average selling price of cement in Henan and the northeastern region was approximately RMB319.6 per ton and approximately RMB277.0 per ton, respectively.

The average selling price of clinker of the Group was approximately RMB289.2 per ton in 2018, an increase of RMB41.2 per ton or 16.6% compared with approximately RMB248.0 per ton in 2017, of which, the average selling price of clinker in Henan and the northeastern region was RMB300.0 per ton and RMB279.2 per ton, respectively.

The average selling price of limestone aggregate of the Group was approximately RMB46.4 per ton in 2018, an increase of RMB9.7 per ton or 26.3% compared with approximately RMB36.7 per ton in 2017.

In 2018, due to the increase in both the sales volume and the selling prices of products, the revenue of the Group was RMB10,060.6 million, an increase of RMB1,640.0 million or 19.5% compared with approximately RMB8,420.6 million in 2017.

The Group continued to enhance production efficiency and the level of management through the further application of informatised and digitalised technology. With the same conditions of production and scale of sales, the number of employees of the Group decreased by 357 in 2018 or 4.6% compared with 2017.

***b. Information of Ruiping Shilong***

Ruiping Shilong is a company incorporated in the PRC with limited liability and mainly engaged in production, sale and distribution of clinker. Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company.

**2. Clinker Supply Framework Agreement and the Clinker Annual Caps**

***a. Principal terms***

The Clinker Supply Framework Agreement sets out the general terms for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan Province, the PRC, and in any event, the transaction terms shall be no less favourable than the terms provided by/to third parties. For further details of the terms and conditions of the Clinker Supply Framework Agreement, please refer to the Letter from the Board.

In order to ensure that the prices and terms offered by Ruiping Shilong are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the Ruiping Shilong with those of at least two other independent third parties. The Group may also take into consideration some independent market data of the clinker market to ensure the prices of clinker are at the prevailing market rate.

For our due diligence purpose and to review the Group's pricing mechanism in purchasing clinker from Ruiping Shilong, we have obtained multiple internal reports prepared by the Company on the market price of clinkers during the three years of 2016, 2017 and 2018. We note from our review that the Company conducted research on prevailing market price quoted from independent third parties, and with reference to the result of the research, the Company determined the market price of clinker to be supplied by Ruiping Shilong.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *b. Reasons for transaction*

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors, the Directors consider that the transaction would benefit the Company.

- the market status and trend of the Group's target market, which attributes to the Group's gradual increasing need of clinker;
- with the benefit of being within proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years;
- the Group's long-established relationship with Ruiping Shilong; and
- the prices of clinker provided by Ruiping Shilong are more favourable to the Group than the prices quoted by Independent Third Parties.

### *c. Historical amounts*

The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the years ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019 were approximately RMB163,568,000, RMB298,744,000, RMB298,003,000 and RMB441,500,000 respectively.

### *d. Clinker Annual Caps*

It is agreed that the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2019, 2020 and 2021 shall not exceed the caps set out below:

<i>(RMB'000)</i>	Existing Annual Cap For the year ending 31 December			Proposed Annual Cap For the year ending 31 December		
	2019	2020	2021	2019	2020	2021
	Total purchase amount	500,000	500,000	500,000	800,000	1,000,000

### *e. Basis of caps*

According to the Letter from the Board, the Board determines the above proposed annual caps based on the following reasons:

- The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the years ended 31 December 2016, 2017 and 2018, and the eight months ended 31 August 2019 were approximately RMB163,568,000, RMB298,744,000,

RMB298,003,000 and RMB441,500,000 respectively. In particular, the historical aggregate value for purchase of clinker during the eight months ended 31 August 2019 was RMB441,500,000, which was already approaching the existing annual cap of RMB500,000,000 under the Existing Clinker Supply Agreement.

- As stated in the 2019 interim report of the Company, the revenue from cement sales was approximately RMB5,138.8 million in the first half of 2019, representing an increase of 23.0% as compared to RMB4,177.6 million in the same period of 2018. Accordingly, the increase of the Clinker Annual Caps as compared with the existing annual caps is in line with the aforesaid increase in cement sales during the first half of 2019.

*f. Our view on the Clinker Annual Caps*

In assessing the reasonableness and fairness of the annual growth rate, we have discussed with the Management and note that the Clinker Annual Caps for the three years ending 31 December 2019, 2020 and 2021 are determined with reference to the following basis.

For the eight months ended 31 August 2019, the historical transaction amount for purchase of clinker under the Clinker Supply Framework Agreement between Tianrui Cement and Ruiping Shilong was RMB441,500,000, representing 88% of the existing annual cap for the year ending 31 December 2019. For the years ended 31 December 2016, 2017 and 2018, the historical transaction amounts for purchase of clinker between Tianrui Cement and Ruiping Shilong were approximately RMB163,568,000, RMB298,744,000 and RMB298,003,000 respectively, representing a compound annual growth rate of 39.2%.

Further based on our research, pursuant to the “Thirteen Five-Year Development Plan of Cement Industry” (水泥工業「十三五」發展規劃, the “Plan”) promulgated by the Ministry of Industry and Information Technology on 5 June 2017, it is expected that by 2020, the number of cement producers will be reduced by one fourth; and the aggregate cement production volume of the 10 cement producers, in term of the production capacity, should account for at least 80% of the total cement production capacity of the PRC. The PRC government has started to take measures to plan for the healthy development of the cement industry and to endorse cement producers in order to optimise the industrial environment. The State encourages and supports the merger and reorganisation in different locations, different industries and for different forms of companies, as well as the consolidation of small-scale and medium-scale enterprises and cement grinding mills in order to enhance concentration. Henan Tianrui Group Corporation, one of the subsidiaries of the Group, is one of the National Companies listed in the notice issued by the NDRC, the Ministry of Land and Resources and will have priority in receiving government support on project approvals, land use right grants and credit approvals in respect of project

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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investments or mergers and acquisitions. It will create strong growth potential for the Company. We consider such estimated growth rate in the demand of clinker to be justifiable.

Taking into account the above, we are of the view that the Clinker Supply Framework Agreement and the Clinker Annual Caps are fair and reasonable.

***g. Internal Control Measures***

As stated in the Letter from the Board, the Company has adopted various internal control procedures to monitor the Continuing Connected Transaction.

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, continuing connected transactions are subject to the following annual review requirements:

- (a) The independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - (i) in the ordinary and usual course of business of the Group;
  - (ii) on normal commercial terms or better; and
  - (iii) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholder as a whole;
- (b) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditor must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - (i) have not been approved by the Board;
  - (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
  - (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
  - (iv) have exceeded the annual caps;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (c) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditor of the Company cannot confirm the matters as required.

In line with the Existing Clinker Supply Agreement, for the clinker provided under the Clinker Supply Framework Agreement to Tianrui Cement and/or its subsidiaries by Ruiping Shilong, Tianrui Cement will obtain at least two price quotes from the Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable and no less favourable than those quotes offered by the Independent Third Parties.

Tianrui Cement will also take into consideration some independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. Tianrui Cement will ensure the terms of the Clinker Supply Framework Agreement are no less favourable than those terms offered by Ruiping Shilong to the Independent Third Parties.

After all the foregoing analysis, the proposed clinker prices and terms of the Clinker Supply Framework Agreement will be submitted to the management of the Group for approval. The finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transaction and conducts an annual review of the implementation enforcement of the continuing connected transactions.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the Management, we noted that (i) the finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; (ii) the operation department researches and collects the independent market data to ensure the prices of clinker are at the prevailing market rate; (iii) the auditor conducts an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the Management, the Company will endeavour to carry out adequate supervision over the pricing terms and policy under the framework agreements



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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against the relevant annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken. Having considered that (i) the Company has adequate internal control procedures as aforementioned; and (ii) the documents including, but no limited to, agreements, pricing research reports and transaction records reviewed by us are consistent with the relevant internal control measures as aforementioned; and (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

Besides, it was stated in the annual reports of the Company for the years ended 31 December 2017 and 2018 that the auditors of the Company confirmed that the continuing connected transaction (i) has been approved by the Board; (ii) had been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) the actual transaction amount did not exceed the respective annual caps for the two years ended 31 December 2018.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision of the Clinker Supply Framework Agreement. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

### RECOMMENDATION

Having taken into account the factors and reasons as stated above, we consider that the Clinker Supply Framework Agreement and the Clinker Annual Caps are (i) in the ordinary and usual course of business of the Company; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders to vote in favour of the ordinary resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**CLC International Limited**  
**Wayne Su**  
*Managing Director*

*Mr. Wayne Su is a licensed person registered with the Securities and Futures Commission and as a responsible officer of CLC International Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and have over 10 years of experience in corporate finance industry.*



**1. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Company for the years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 together with the relevant notes to the financial statements of the Company can be found on the annual report of the Company for the year ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019. Please see below the hyperlinks to the said annual and interim reports:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261290.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804262793.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn20170427515.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0923/ltn20190923223.pdf>

## 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 <sup>(1)</sup>	Interest of corporation controlled by the director/Long position	2,044,484,822 <sup>(2)</sup>	69.58
Ms. Li <sup>(1)</sup>	Interest of corporation controlled by the director/Long position	2,044,484,822 <sup>(2)</sup>	69.58

*Notes:*

- (1) 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 Chairman Li and 30% owned by Ms. Li. Chairman Li and Ms. Li are deemed to be interested in the shares held by Yu Kuo.
- (2) As at the Latest Practicable Date, Yu Kuo pledged its 899,247,000 Shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.

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:

<b>Name</b>	<b>Capacity/ Nature of Interests</b>	<b>Total number of Shares</b>	<b>Approximate percentage of shareholding (%)</b>
Yu Kuo	Beneficial owner/Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Chairman Li	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Ms. Li	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	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
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/Long position	420,747,000	14.32
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

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21
Haitong International Investment Solutions Limited	Party with security interest over the shares/Long position	167,000,000	5.68
Haitong International Holdings Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Haitong International Securities Group Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Haitong Securities Co., Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Henan Jiuding Financial Leasing Co., Ltd	Party with security interest over the shares/Long position	200,000,000	6.81

*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 Chairman Li and Ms. Li respectively. Chairman Li, Ms. Li, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo.
- (2) As at the Latest Practicable Date, Yu Kuo pledged its 899,247,000 Shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans for its own.

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 Chairman Li and Ms. 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 currently have no intention to inject their indirect interest in Ruiping Shilong into the Group.

#### (2) Shanshui Cement

As of the Latest Practicable Date, Tianrui (International) Holding Company Limited, a wholly-owned subsidiary of Tianrui Group Company which is owned as to 70% by Chairman Li, has acquired a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) (“**Shanshui Cement**”, a company which is listed on the Main Board of the Stock Exchange) 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 2018, being the date to which the latest published audited consolidated financial statements of the Group were made up.

#### 5. FINANCIAL AND TRADING PROSPECTS

In the first half of 2019, the Group recorded a revenue of RMB5,494.7 million, an increase of RMB1,188.1 million or 27.6% compared to the same period in 2018. The profit attributable to owners of the Company amounted to RMB887.0 million, representing an increase of RMB336.2 million or 61.0% from approximately RMB550.8 million in the first six months of 2018. The Board remains cautiously optimistic of the full-year financial performance in 2019.

As one of the twelve nationally recognized major cement companies in China and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group is encouraged to undertake the integration of the cement market in the Central China region and to promote the integration of the cement industry. The government provides support to designated companies such as tax incentives and special projects or financing approvals. The Group will make full use of its policies and its own advantages, strengthen internal management, enhance refined management while optimizing production processes, increasing production utilization, and promoting regional market integration and synergy in order to seize new profit growth points, maintain and enhance the advantages of cost and scale to consolidate the leading market position in Henan and Liaoning.

The Group will further expand the scope of the unified purchase of materials, strengthen fine management, and improve the production efficiency, so that the Group can further reduce the unit production costs and then maintain our leading positions in other markets. The Group believes that maintaining and increasing the cost advantages will be beneficial for the Group. In order to expand its market coverage, we will also put forward the strategic acquisition at the appropriate time.

#### 6. LITIGATION

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

#### 7. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2018 (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 Existing Clinker Supply Agreement; (ii) the deposit services agreement (the “**Deposit Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 6 October 2017 and the financial services agreement (the “**Financial Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 6 October 2017, details of which have been disclosed in the announcement of the Company dated 6 October 2017 and the circular of the Company dated 12 December 2017; and (iii) the framework agreement (the “**Framework Agreement**”) entered into between Tianrui Group Company, Tianrui Cement and the Company dated 11 May 2017 and the counter guarantee agreement (the “**Counter Guarantee Agreement**”) entered into between the Company and Chairman Li dated 11 May 2017, details of which have been disclosed in the announcement of the Company dated 11 May 2017.

## 9. QUALIFICATION AND CONSENT OF EXPERT

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

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

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

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



## 10. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, the expert referred to in the paragraph named “Qualification and Consent of Expert” above does not have any interest in any assets which have been since 31 December 2018 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. MATERIAL CONTRACTS

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

- (a) the Existing Clinker Supply Agreement, the details of which is set out in the announcement of the Company dated 7 April 2019;
- (b) the capital injection agreement dated 29 December 2018 entered into between CCB Financial Asset Investment Co., Ltd (建信金融資產投資有限公司) (“**CCB**”), Tianrui Cement and Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (the “**First Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (c) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) (the “**Second Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (d) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) (the “**Third Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (e) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) (the “**Fourth Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (f) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (the “**Fifth Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;

- (g) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the First Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (h) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Second Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (i) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Third Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (j) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Fourth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (k) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Fifth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (l) the amendment agreement dated 31 May 2019 entered into between CCB, Tianrui Cement and the Fourth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019; and
- (m) the cancellation agreement dated 10 September 2019 entered into between CCB and Tianrui Cement, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019.

## 12. MISCELLANEOUS

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

- (d) The English text of this Circular shall prevail over the Chinese text in case of any inconsistency.

### 13. DOCUMENTS FOR INSPECTION

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

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (c) the material contracts referred to in the paragraph above headed “**Material Contracts**” in this Appendix;
- (d) the Clinker Supply Framework Agreement;
- (e) the letter from Board, the text of which is set out in this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from CLC International Limited, the text of which is set out in this circular;
- (h) the consent letter of CLC International Limited as referred to in the section headed “**Qualifications and Consent of Expert**” in this Appendix II.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**CHINA TIANRUI GROUP CEMENT COMPANY LIMITED**

**中國天瑞集團水泥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1252)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Tianrui Group Cement Company Limited (the “**Company**”) will be held at 2:30 p.m. on Thursday, 21 November 2019 at 14/F, Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

### **ORDINARY RESOLUTION**

**“THAT**

- (i) the clinker supply framework agreement (“**Clinker Supply Framework Agreement**”) dated 16 October 2019 entered into between Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) and Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) (“**Ruiping Shilong**”) (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 supply of clinker by Ruiping Shilong to Tianrui Cement and its subsidiaries (collectively, the “**Cement Group**”), including but not limited to the provision of the Clinker as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (ii) the proposed maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2019, 2020 and 2021 shall not exceed RMB800,000,000, RMB1,000,000,000 and RMB1,000,000,000 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 Clinker Supply Framework Agreement; and

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

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

Ruzhou City, Henan Province, PRC, 31 October 2019

**Notes:**

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

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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

*Chairman and non-executive Director*

Mr. Li Liufa

*Executive Directors*

Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming

*Independent non-executive Directors*

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