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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 1252)

CONTINUING CONNECTED TRANSACTIONS

1. Revised Annual Cap for 2012 and 2013 of Continuing Connected Transaction with Ruiping Shilong under the 2011 Clinker Supply Framework Agreement

As disclosed in the Prospectus, Zhoukou Cement is a party to the continuing connected transaction of purchase of clinker with Ruiping Shilong under the 2011 Clinker Supply Framework Agreement. In this connection, the Company was granted waivers by the Stock Exchange from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules for a period of three years from 1 January 2011 to 31 December 2013 at the time of listing of the Shares of the Company on the Stock Exchange on 23 December 2011. The waivers granted by the Stock Exchange are subject to annual caps. In accordance with Rule 14A.36 of the Listing Rules, if an annual cap in respect of a given transaction is exceeded or when there is a material change to the terms of the relevant agreement, the Company must re-comply with Rules 14A.35(3) and (4) of Chapter 14A of the Listing Rules in relation to such connected transactions.

With the continuing development of the Group and based on internal estimates of the demand, the management notes that the existing cap for 2012 and 2013 for transactions under the 2011 Clinker Supply Framework Agreement as set out in the existing waiver will not be sufficient for Zhoukou Cement, and therefore proposes that the existing cap for each of 2012 and 2013 for such transaction be revised to RMB80 million.

Since each of the applicable percentage ratios with reference to the revised annual caps for 2012 and 2013 is more than 0.1% but less than 5%, on an aggregate annual basis, the revision of annual caps for the continuing connected transaction with Ruiping Shilong under the Supplemental Agreement is only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. The 2012 Clinker Supply Framework Agreement with Ruiping Shilong

On 26 September 2012, Tianrui Cement, a wholly-owned subsidiary of the Company, entered into the 2012 Clinker Supply Framework Agreement with Ruiping Shilong for purchase of clinker from Ruiping Shilong with a term commencing from 26 September 2012 and expiring on 31 December 2013.

Since the applicable percentage ratios are, on an aggregate annual basis, more than 0.1% but less than 5%, the transactions contemplated under the 2012 Clinker Supply Framework Agreement are only subject to reporting, announcement and annual review requirements and are exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

A. REVISED ANNUAL CAP FOR 2012 AND 2013 OF CONTINUING CONNECTED TRANSACTION WITH RUIPING SHILONG UNDER THE 2011 CLINKER SUPPLY FRAMEWORK AGREEMENT

Background

As disclosed in the Prospectus, Zhoukou Cement is a party to the continuing connected transaction of purchase of clinker with Ruiping Shilong under the 2011 Clinker Supply Framework Agreement dated 6 December 2011. In this connection, the Company was granted waivers by the Stock Exchange from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules for a period of three years from 1 January 2011 to 31 December 2013 at the time of listing of the Shares of the Company on the Stock Exchange on 23 December 2011. The waivers granted by the Stock Exchange are subject to annual caps. In accordance with Rule 14A.36 of the Listing Rules, if an annual cap in respect of a given transaction is exceeded or when there is a material change to the terms of the relevant agreement, the Company must re-comply with Rules 14A.35(3) and (4) of Chapter 14A of the Listing Rules in relation to such connected transactions.

Reasons and benefit for Revising Annual Cap for 2012 and 2013

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. For the years ended December 31, 2009, 2010 and 2011 and the eight months ended August 31, 2012, Zhoukou Cement purchased clinker mainly from Ruiping Shilong and Ruzhou Cement, a wholly-owned subsidiary of the Company, to satisfy its clinker needs for the production of cement products because Zhoukou Cement itself does not have any clinker production facilities. In order to improve its profitability, in the first half of 2012, the Group implemented a series of policies to reduce cost and to continue to expand its production and market share, including the policy of reducing the sale of the low profit margin clinker. As a result, since the beginning of 2012, Ruzhou Cement has reduced its clinker production and stopped supply of clinkers to Zhoukou Cement and Zhoukou Cement increased its purchase of clinker accordingly mainly from Ruiping Shilong as it has been providing a stable supply of clinker with low logistics and transportation costs over the past years. Having considered Zhoukou Cement's increasing demand for clinker due to its increased production capacity and the recent stop of clinker supply from Ruzhou Cement, the management has proposed to revise upward the annual caps for 2012 and 2013 both to RMB80 million by entering into the Supplemental Agreement with Ruiping Shilong dated 26 September 2012.

The said revised annual cap for 2012 and 2013 is determined with reference to the following factors:

- (i) the historical aggregate amount for purchase of clinker paid by Zhoukou Cement to Ruiping Shilong for the years ended December 31, 2009, 2010 and 2011 and the eight months ended August 31, 2012, which was approximately RMB5.3 million for the year ended 31 December 2009, RMB 21.3 million for the year ended 31 December 2010, RMB17.2 million for the year ended 31 December 2011 and RMB16.8 million for the eight months ended 31 August 2012, respectively;
- (ii) the historical aggregate amount for purchase of clinker paid by Zhoukou Cement to Ruzhou Cement for the years ended December 31, 2009, 2010 and 2011 and the eight months ended August 31, 2012,, which is approximately RMB171.4 million for the year ended 31 December 2009, RMB 109.8 million for the year ended 31 December 2010, RMB186.1 million for the year ended 31 December 2011 and RMB100.2 million for the eight months ended 31 August 2012, respectively;

(iii) the market prices of the clinker Zhoukou Cement purchases from Ruiping Shilong; and

(iv) Zhoukou Cement's future demand for the clinker will be met by Ruiping Shilong only instead of both Ruiping Shilong and Ruzhou Cement in the past.

The Board confirms that the existing annual cap for 2012 has not yet been exceeded as at the date of this announcement.

The Board (including the independent non-executive Directors) further considers that, the proposed revised annual caps by the management for the transactions under the 2011 Clinker Supply Framework Agreement as amended by the Supplemental Agreement for 2012 and 2013 are fair and reasonable and in the interests of the Shareholders as a whole.

As Chairman Li (a non-executive Director and Controlling Shareholder of the Company) indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, he is required to abstain and has abstained from voting on the board resolution approving the Supplemental Agreement and the revised annual caps for the years of 2012 and 2013. Save as mentioned above, none of the Directors has material interest in the transactions and hence no other Director has abstained from voting on such board resolution.

Implications under the Listing Rules

Since Chairman Li, indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li, therefore a connected person of the Company. As a result, the transaction under the 2011 Clinker Supply Framework Agreement and the Supplemental Agreement constitutes a non-exempt continuing connected transaction for the Company under Chapter 14A of the Listing Rules. Since each of the applicable percentage ratios with reference to the revised annual caps for 2012 and 2013 is more than 0.1% but less than 5%, on an aggregate annual basis, the revision of annual caps for the continuing connected transaction with Ruiping Shilong under the Supplemental Agreement is only subject to the reporting, annual review and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

B. THE 2012 CLINKER SUPPLY FRAMEWORK AGREEMENT WITH RUIPING SHILONG

Date

26 September 2012

Parties

1. Tianrui Cement, the purchaser;
2. Ruiping Shilong, the supplier

Duration

A term commencing from 26 September 2012 to 31 December 2013

Principal Terms

The 2012 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.

Implementation Agreement

Tianrui Cement and the relevant connected person(s) may, from time to time and as necessary, enter into separate implementation agreement for each specific transaction contemplated under the 2012 Clinker Supply Framework Agreement.

Each implementation agreement will set out details of the service, price, duration and other relevant details, which reflect the requirements of Tianrui Cement or its relevant subsidiaries, and the market conditions at the material time.

The Annual Cap

The maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for the years ending 31 December 2012 and 2013 will not exceed the caps set out below:

	Proposed Annual Cap for the year ending December 31,	
	2012	2013
	<i>(RMB million)</i>	<i>(RMB million)</i>
Total purchase amount	100	100

The annual caps are determined by taking into account the following factors:

- (i) the historical aggregate value for purchase of clinker paid by Tianrui Cement and/or its subsidiaries for the years ended December 31, 2009, 2010 and 2011 and the eight months ended August 31, 2012, which is approximately RMB9.7 million for the year ended 31 December 2009, RMB21.6 million for the year ended 31 December 2010, RMB17.9 million for the year ended 31 December 2010 and RMB17.8 million for the eight months ended 31 August 2012, respectively; and
- (ii) the anticipated demands of clinker for Tianrui Cement and/or its subsidiaries for the remaining period of 2012 and the year of 2013 are expected to increase significantly mainly due to the acquisition of cement producers in the second half of 2012.

Reasons and benefit for Entering into the 2012 Clinker Supply Framework Agreement

As disclosed above, Ruiping Shilong is an existing clinker supplier of Zhoukou Cement, a subsidiary of the Company. Previously, Tianrui Cement or any of its subsidiaries (except for Zhoukou Cement) had not entered into any agreements or transactions with Ruiping Shilong that constitutes continuing connected transactions under Chapter 14A of the Listing Rules. Due to the Group's policies of improvement of its production efficiency and expansion of production capacity as stated above, Tianrui Cement and/or its subsidiaries' future demand for clinker from suppliers outside the Group will increase substantially mainly due to the acquisition of cement producers. Having also considered the Group's long established relationship with Ruiping Shilong, Tianrui Cement entered into the 2012 Clinker Supply Framework Agreement with Ruiping Shilong to secure a stable supply of clinker at relatively low costs of logistics and transportation.

The Directors (including the independent non-executive Directors) are of the view that the terms of the supply of clinker under the 2012 Clinker Supply Framework Agreement, including the annual caps for the years of 2012 and 2013 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.

As Chairman Li (a non-executive Director and Controlling Shareholder of the Company) indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, he was required to abstain and has abstained from voting on the board resolution approving the 2012 Clinker Supply Framework Agreement. Save as mentioned above, none of the Directors has material interest in the transactions and hence no other Director has abstained from voting on such board resolution.

Implications under the Listing Rules

Since Chairman Li, indirectly controls more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li, therefore a connected person of the Company. As a result, the 2012 Clinker Supply Framework Agreement constitutes a non-exempt continuing connected transaction of the Company under Chapter 14A of the Listing Rules.

Since each of the applicable percentage ratios with reference to the aggregated annual caps for 2012 and 2013 of the transactions contemplated under the 2011 Clinker Supply Framework Agreement and the 2012 Clinker Supply Framework Agreement is more than 0.1% but less than 5%, the continuing connected transaction with Ruiping Shilong under the 2012 Clinker Supply Framework Agreement is only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Principal Business of Tianrui Cement, Ruiping Shilong and Zhoukou Cement

Tianrui Cement and its subsidiaries (including Zhoukou Cement) are principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement. Ruiping Shilong is mainly engaged in production, sale and distribution of clinker.

DEFINITIONS

“2012 Clinker Supply Framework Agreement”	the clinker supply framework agreement dated 26 September 2012 entered into by Tianrui Cement and Ruiping Shilong for purchase of clinker from Ruiping Shilong with a term commencing from 26 September 2012 and expiring on 31 December 2013
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the founder, chairman and a Controlling Shareholder of the Group

“2011 Clinker Supply Framework Agreement”	the clinker supply agreement dated 6 December 2011 entered into between Zhoukou Cement and Ruiping Shilong for the purchase of clinker from Ruiping Shilong with a term commencing on the 23 December 2011 and ending on 31 December 2013
“Company”	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(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)”	director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Listing Rules”	the Rules Exchange Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“Prospectus”	the prospectus dated 14 December 2011 and published by the Company, in accordance with the Listing Rules in the connection with its initial public offering and listing on the main board of the Stock Exchange;
“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
“Ruzhou Cement”	Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

“Share(s)”	ordinary share(s) with a nominal value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Agreement”	the supplemental agreement to the 2011 Clinder Supply Framework Agreement dated 26 September 2012 entered into between Zhoukou Cement and Ruiping Shilong
“Tianrui Cement”	Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Zhoukou Cement”	Tianrui Group Zhoukou Cement Company Limited (天瑞集團周口水泥有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

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

Hong Kong, 26 September 2012

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

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Li Heping, Mr. Liu Wenying and Mr. Yu Yagang

Non-Executive Director

Mr. Tang Ming Chien

Independent Non-executive Directors

Mr. Wang Yanmou, Mr. Poon Chiu Kwok, Mr. Song Quanqi and Mr. Ma Chun Fung Horace.

* *For identification purpose only*