

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.



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. Clinker Supply Framework Agreement

As disclosed in the announcement dated 26 September 2012, Zhoukou Cement (a wholly-owned subsidiary of Tianrui Cement) and Tianrui Cement have entered into the 2011 Clinker Supply Framework Agreement and the 2012 Clinker Supply Framework Agreement with Ruiping Shilong respectively, pursuant to which Ruiping Shilong agreed to supply clinker pursuant to the terms and conditions therein. Both the 2011 Clinker Supply Framework Agreement and the 2012 Clinker Supply Framework Agreement have expired on 31 December 2013, and Tianrui Cement and Ruiping Shilong wish to continue the continuing connected transactions. On 25 March 2014, Tianrui Cement has entered into the Clinker Supply Framework Agreement with Ruiping Shilong for a term from 25 March 2014 to 31 December 2016, pursuant to which Tianrui Cement has agreed to purchase clinker from Ruiping Shilong subject to the terms and conditions therein.

2. Limestone Supply Framework Agreement

On 25 March 2014, Tianrui Cement and Ruiping Shilong have also entered into the Limestone Supply Framework Agreement for a term from 25 March 2014 to 31 December 2016, pursuant to which Ruiping Shilong agreed to purchase limestone from Tianrui Cement subject to the terms and conditions therein.

3. Listing Rules Implication

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 such, the transactions under both the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement will constitute continuing connected transactions (collectively “**Continuing Connected Transactions**”) under the Listing Rules.

For the purpose of assessing the compliance obligations under the Listing Rules, the respective annual caps under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement are aggregated to calculate the percentage ratios.

Initial Aggregate Annual Caps prior to independent Shareholders’ approval

Pursuant to the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the aggregate annual caps of the transactions thereunder, unless and until the Continuing Connected Transactions and the Revised Aggregate Annual Caps are approved by the independent Shareholders, shall be RMB200,000,000 in aggregate for each of the three years ending 31 December 2014, 2015 and 2016 respectively (“**Initial Aggregate Annual Caps**”), for which the highest applicable percentage ratios falls between 0.1% and 5% and therefore the transactions thereunder within the Initial Aggregate Annual Caps constitute continuing connected transactions which are subject to reporting, announcement and annual review requirement but exempt from independent Shareholders’ approval pursuant to Rule 14A.32 of the Listing Rules.

Revised Aggregate Annual Caps after independent Shareholders’ approval

Pursuant to the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the aggregate annual caps will, upon independent Shareholders’ approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, be revised to RMB420,000,000, RMB540,000,000 and RMB540,000,000 for each of the three years ending 31 December 2014, 2015 and 2016 respectively (“**Revised Aggregate Annual Caps**”). As the highest applicable percentage ratios in respect of the Revised Aggregate Annual Caps are, on an annual basis, more than 5% and less than 25%, the transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement within the Revised Aggregate Annual Caps constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders’ approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The approval of the independent Shareholders in respect of the Continuing Connected Transactions and the Revised Aggregate Annual Caps will be sought at the AGM, which is expected to be held in May 2014, by way of poll. Chairman Li and his associates will abstain from voting in respect of the Continuing Connected Transactions and the Revised Aggregate Annual Caps at the AGM. A circular containing, inter alia, details of the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the recommendation of the independent board committee of the Company (comprising all the independent non-executive Directors) as well as the advice of the independent financial adviser to be appointed in relation to the Continuing Connected Transactions and the Revised Aggregate Annual Caps will be despatched with the AGM notice to the Shareholders on or before 30 April 2014.

Prior to obtaining approval from the independent Shareholders at the AGM, the Company will closely monitor the aggregate value of the transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement to ensure that the annual transaction amount in respect of such transactions fall within the Initial Aggregate Annual Caps. Various control mechanisms have been adopted by the Company to ensure that the annual transaction amount in respect of such transactions fall within the Initial Aggregate Annual Caps. Such mechanisms include generating monthly forecasts and monthly reports to monitor the aggregate value of such transactions, imposing a lower percentage threshold as an internal cap whereby a warning signal will be issued and preventive measures will be taken immediately if the internal cap will be reached. In the event that the independent Shareholders do not approve the Continuing Connected Transactions and the Revised Aggregate Annual Caps at the AGM, the Company will ensure that the annual transaction amounts of such transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, will on an aggregate basis, fall within the Initial Aggregate Annual Caps and will make announcement to inform the Shareholders and the investor public as and when necessary.

1. CLINKER SUPPLY FRAMEWORK AGREEMENT

Date

25 March 2014

Parties

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

Duration

A term commencing from date of signing the agreement to 31 December 2016

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.

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.

Annual Cap

It is agreed that, upon independent Shareholders' approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for the years ending 31 December 2014, 2015 and 2016 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending		
	31 December 2014	31 December 2015	31 December 2016
Total purchase amount	RMB360,000,000	RMB480,000,000	RMB480,000,000

It is also agreed that, prior to the independent Shareholders' approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, the aggregate transaction amount under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, shall not, in aggregate, exceed the Initial Aggregate Annual Caps (i.e. RMB200,000,000 per year) for each of the three years ending 31 December 2014, 2015 and 2016, respectively on an annual basis.

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 31 December 2012 and 2013, which is approximately RMB29,433,000 for the year ended 31 December 2012 and approximately RMB171,735,000 for the year ended 31 December 2013.
- (ii) The anticipated demands of clinker for Tianrui Cement and/or its subsidiaries for the three years ending 31 December 2014, 2015 and 2016, respectively are expected to increase significantly mainly due to the need to satisfy the Group's clinker needs for the production of cement products and to cope with the Group's expansion of production capacity.
- (iii) It is expected that the national standard on the clinker element ratio of the cement will become more stringent in the near future and therefore the Group will have a higher need of clinker for its cement production.

Background, reasons and benefit 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 expected increase of the Group's clinker need as a result of the expected expansion of cement production capacity; (2) with the benefit of being within proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; and (3) the Group's long established relationship with Ruiping Shilong, Tianrui Cement entered into the Clinker Supply Framework Agreement with Ruiping Shilong.

The Directors (including the independent non-executive Directors) are of the view that the terms of the supply of clinker under the Clinker Supply Framework Agreement, including the Initial Aggregate Annual Caps and the Revised Aggregate Annual Caps for each of the three years ending 31 December 2014, 2015 and 2016, 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.

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 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.

2. LIMESTONE SUPPLY FRAMEWORK AGREEMENT

Date

25 March 2014

Parties

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

Duration

Commencing from the date of signing the agreement to 31 December 2016

Principal Terms

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

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 Limestone 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 Ruiping Shilong or its subsidiaries, with reference to market conditions at the relevant time.

Annual Cap

It is agreed that, upon independent Shareholders' approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, the maximum aggregate annual amount payable by Ruiping Shilong to Tianrui Cement for purchase of limestone for the years ending 31 December 2014, 2015 and 2016 will not exceed the caps set out below:

	Proposed Annual Cap for the year ending		
	31 December	31 December	31 December
	2014	2015	2016
Total purchase amount	RMB60,000,000	RMB60,000,000	RMB60,000,000

It is also agreed that, prior to the Company's independent Shareholders' approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, the aggregate transaction amount under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, shall not, in aggregate, exceed the Initial Aggregate Annual Caps (i.e. RMB200,000,000 per year) for each of the three years ending 31 December 2014, 2015 and 2016, respectively on an annual basis.

The annual caps are determined by taking into account of the Group's limestone production capacity and Ruiping Shilong's increased demand for limestone.

Background, reasons and benefit for entering into the Limestone Supply Framework Agreement

Limestone is one of the raw materials required for clinker production, and that Ruiping Shilong has been purchasing limestone from various suppliers for its clinker production on a non-exclusive basis. Ruiping Shilong has recently expanded its clinker production and hence has the increased need for limestone. In light of Ruiping Shilong's anticipated increased demand for limestone, its location being within proximity of the Group's limestone production facilities and the anticipated increase of the Group's limestone production volume, Tianrui Cement entered into the Limestone Supply Framework Agreement with Ruiping Shilong.

The Directors (including the independent non-executive Directors) are of the view that the terms of the supply of limestone under the Limestone Supply Framework Agreement, including the Initial Aggregate Annual Caps and the Revised Aggregate

Annual Caps for each of the three years ending 31 December 2014, 2015 and 2016, 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.

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 Limestone 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.

Use of Proceeds

Since the sale price of limestone will be by reference to the prevailing market price of limestone in Pingdingshan, Henan Province and that Tianrui Cement is free to negotiate in each sale of limestone, the Directors expect a reasonable profit margin for each sale. The sale proceeds received under the Limestone Supply Framework Agreement will be utilized as general working capital of the Group.

3. PRINCIPAL BUSINESS OF THE GROUP AND RUIPING SHLONG

The Group is 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.

4. 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 such, the transactions under both the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement will constitute continuing connected transactions under the Listing Rules.

For the purpose of assessing the compliance obligations under the Listing Rules, the respective annual caps under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement are aggregated to calculate the percentage ratios.

Initial Aggregate Annual Caps prior to independent Shareholders' approval

Pursuant to the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the aggregate annual caps of the transactions thereunder, unless and until the Continuing Connected Transactions and the Revised Aggregate Annual Caps are approved by the independent Shareholders, shall be

RMB200,000,000 in aggregate for each of the three years ending 31 December 2014, 2015 and 2016 respectively, for which the highest applicable percentage ratios falls between 0.1% and 5% and therefore the transactions thereunder within the Initial Aggregate Annual Caps constitute continuing connected transactions which are subject to reporting, announcement and annual review requirement but exempt from independent shareholders' approval pursuant to Rule 14A.32 of the Listing Rules.

Revised Aggregate Annual Caps after independent Shareholders' Approval

Pursuant to the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the aggregate annual caps will, upon independent Shareholders' approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps, be revised to RMB420,000,000, RMB540,000,000 and RMB540,000,000 for each of the three years ending 31 December 2014, 2015 and 2016 respectively. As the highest applicable percentage ratios in respect of the Revised Aggregate Annual Caps are, on an annual basis, more than 5% and less than 25%, the transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement within the Revised Aggregate Annual Caps constitute non-exempt continuing connected transactions and are subject to the reporting, announcement, annual review and independent shareholders' approval requirements pursuant to Rule 14A.35 of the Listing Rules.

The approval of the independent Shareholders in respect of the Continuing Connected Transactions and the Revised Aggregate Annual Caps will be sought at the AGM, which is expected to be held in May 2014, by way of poll. Chairman Li and his associates will abstain from voting in respect of the Continuing Connected Transactions and the Revised Aggregate Annual Caps at the AGM. A circular containing, inter alia, details of the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, the recommendation of the independent board committee (comprising all the independent non-executive Directors) of the Company as well as the advice of the independent financial adviser to be appointed in relation to the Continuing Connected Transactions and the Revised Aggregate Annual Caps will be despatched with the AGM notice to the Shareholders on or before 30 April 2014.

Prior to obtaining approval from the independent Shareholders at the AGM, the Company will closely monitor the aggregate value of the transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement to ensure that the annual transaction amount in respect of such transactions fall within the Initial Aggregate Annual Caps. Various control mechanisms have been adopted by the Company to ensure that the annual transaction amount in respect of such transactions fall within the Initial Aggregate Annual Caps.

Such mechanisms include generating monthly forecasts and monthly reports to monitor the aggregate value of such transactions, imposing a lower percentage threshold as an internal cap whereby a warning signal will be issued and preventive measures will be taken immediately if the internal cap will be reached. In the event that the independent Shareholders do not approve the Continuing Connected Transactions and the Revised Aggregate Annual Caps at the AGM, the Company will ensure that the annual transaction amounts of such transactions under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement, will on an aggregate basis, fall within the Initial Aggregate Annual Caps and will make announcement to inform the Shareholders and the investor public as and when necessary.

DEFINITIONS

“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 23 December 2011 and ended on 31 December 2013
“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 expired on 31 December 2013
“AGM”	the annual general meeting of the shareholders of the Company, which is expected to be convened in or around May 2014, to approve, among other things, the Continuing Connected Transactions and the Revised Aggregate Annual Caps
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the founder, chairman and a Controlling Shareholder of the Group
“Clinker Supply Framework Agreement”	please refer to the section headed “Clinker Supply Framework Agreement” in this announcement
“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
“Continuing Connected Transactions”	the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement and the transactions contemplated thereunder
“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
“Initial Aggregate Annual Caps”	the aggregate of the respective annual caps for each of the three years ending 31 December 2014, 2015 and 2016 under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement respectively prior to obtaining the independent Shareholders’ approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps
“Limestone Supply Framework Agreement”	please refer to the section headed “Limestone Supply Framework Agreement”
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“Revised Aggregate Annual Caps”	the aggregate of the respective annual caps for each of the three years ending 31 December 2014, 2015 and 2016 respectively under the Clinker Supply Framework Agreement and the Limestone Supply Framework Agreement upon obtaining the independent Shareholders’ approval of the Continuing Connected Transactions and the Revised Aggregate Annual Caps

“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
“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

Ruzhou City, Henan Province, PRC, 25 March 2014

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

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Yang Yongzheng, Mr. Xu Wuxue and Mr. Wang Delong

Non-executive Director

Mr. Tang Ming Chien

Independent Non-executive Directors

Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Ma Chun Fung Horace