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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)**

## **CONNECTED TRANSACTION**

### **Amended Deed of Non-Competition Undertaking**

#### **AMENDED DEED OF NON-COMPETITION UNDERTAKING**

Reference is made to the Current Non-competition Deed which was entered into by the Controlling Shareholders in favour of the Company on 9 December 2011. Pursuant to the Current Non-competition Deed, the Controlling Shareholders have jointly and severally, unconditionally and irrevocably provided certain non-competition undertakings to the Company (for itself and for the benefit of its subsidiaries). Under the Current Non-competition Deed, the Controlling Shareholders have further undertaken that during the relevant Restricted Period, if a New Business Opportunity to engage in a business which is or may be in competition, directly or indirectly, with the business of the Group is represented or offered to them or their associate(s), they shall notify the Company of the New Business Opportunity. The Controlling Shareholders or their associate(s) shall also use their best efforts to procure the New Business Opportunity to be first referred to the Company or any member of the Group on fair and reasonable term and assist the Company or any member of the Group to obtain the New Business Opportunity on the same terms given to them or conditions more favourable or otherwise acceptable to the Company. Even if the Company decides to decline the New Business Opportunity after the Controlling Shareholders or their associate(s) have fulfilled such notification and best-effort requirements, the Controlling Shareholders are still not allowed to pursue the New Business Opportunity.

On 16 October 2014, the Controlling Shareholders and the Company entered into the Amended Non-competition Deed to amend the Current Non-competition Deed to allow the Controlling Shareholders to pursue a New Business Opportunity subject to certain restrictions and the Option in favor of the Company over the business subsequently developed by the Controlling Shareholders.

## LISTING RULES IMPLICATIONS

As at the date of this announcement, the Controlling Shareholders hold in aggregate approximately 39.57% of the issued share capital of the Company and thus are connected persons of the Company as defined under the Listing Rules. The entering into of the Amended Non-competition Deed constitutes a connected transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Amended Non-competition Deed. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-competition Deed.

### EGM

The EGM will be held for the Independent Shareholders to consider and approve the Amended Non-competition Deed by way of ordinary resolutions.

A circular containing, among other things, (i) the details of the Amended Non-competition Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Amended Non-competition Deed; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-competition Deed; and (iv) a notice to convene the EGM, will be despatched to the Shareholders in due course.

## BACKGROUND

Reference is made to the deed of non-competition undertaking which was entered into by the Controlling Shareholders in favour of the Company on 9 December 2011 (the "**Current Non-competition Deed**"). Pursuant to the Current Non-competition Deed, the Controlling Shareholders have jointly and severally, unconditionally and irrevocably undertaken to the Company (for itself and for the benefit of its subsidiaries) that other than the clinker business of Ruiping Shilong, he or it would not, and would procure that his or its affiliates (except any member of the Group) would not, during the relevant restricted period set out in the Current Non-competition Deed (the "**Restricted Period**"), directly or indirectly, either on his or its own account or in conjunction with or on behalf of any person, firm or company, among other things, carry on, participate or be interested or engaged in, acquire, hold, form partnerships or joint ventures in, or extend any loans to (in each case whether as a shareholder, partner, agent, employee or otherwise) any business which is or may be in competition with the business of any member of the Group from time to time.

Under the Current Non-competition Deed, the Controlling Shareholders have further undertaken that during the Restricted Period, if an opportunity to engage in a business which is or may be in competition, directly or indirectly, with the business of the Group (the "**New Business Opportunity**") is presented or offered to them or their associate(s), they shall immediately give written notice to the Company of the New Business Opportunity containing all relevant information necessary for the Company to consider whether to pursue the New Business Opportunity, including the nature, required investment and acquisition cost of the New Business Opportunity. The Controlling Shareholders or their associate(s) shall also use their best efforts to procure the New Business Opportunity to be first referred to the Company

and/or its subsidiaries on fair and reasonable terms and assist the Company or any member of the Group to obtain the New Business Opportunity on the same terms given to them or conditions more favourable or otherwise acceptable to the Company. Even if the Company decides to decline the New Business Opportunity after the Controlling Shareholders or their associate(s) have fulfilled such notification and best-effort requirements, the Controlling Shareholders are still not allowed to pursue the New Business Opportunity.

The Company has been informed by the Controlling Shareholders that they have been approached by third parties with New Business Opportunities on a number of previous occasions. However, in compliance with their undertakings under the Current Non-competition Deed, the Controlling Shareholders have refrained from engaging in any of such previous New Business Opportunities. The Controlling Shareholders are of the view that the restriction under the Current Non-competition Deed on the Controlling Shareholders not to pursue a New Business Opportunity even after the Company decides to decline it is unnecessarily burdensome. By comparison, it is not uncommon for companies listed on the Stock Exchange to allow their controlling shareholders to pursue New Business Opportunities after they have complied with certain procedures. Such a practice would also provide listed companies with the flexibility of acquiring and/or participating in the New Business Opportunities at a later but more appropriate time.

Recently, representations have been made to the Controlling Shareholders in respect of a few New Business Opportunities which the Controlling Shareholders consider would be beneficial to the Company. The Controlling Shareholders have notified and explored with the Company the possibility of the Company taking on such New Business Opportunities. However, the potential counterparties prefer to deal with the Controlling Shareholders rather than the Company (which is listed on the Stock Exchange) due to confidentiality and timing concerns. As such, the Company has not been able to conduct proper due diligence and explore further on such New Business Opportunities. As a result, the Company does not consider it appropriate to take on such New Business Opportunities at this stage. On the other hand, the Company considers that it would be unfortunate to lose the opportunity of acquiring and/or participating in such new business at a later stage.

#### **AMENDED NON-COMPETITION DEED**

On 16 October 2014, the Controlling Shareholders and the Company entered into the Amended Non-competition Deed to amend the Current Non-competition Deed to allow the Controlling Shareholders to pursue a New Business Opportunity subject to certain restrictions and an option in favor of the Company over the business subsequently developed by the Controlling Shareholders (the “**Option**”).

Under the Amended Non-competition Deed, during the Restricted Period, if a New Business Opportunity is presented or offered to the Controlling Shareholders and/or their respective associate(s), after they have fulfilled the notification and best-effort requirements as set out in the Current Non-competition Deed, they are allowed to pursue the New Business Opportunity only if they have received a notice from the Company that the Company would not pursue the New Business Opportunity.

The Controlling Shareholders have further undertaken that during the Restricted Period, without the Company's prior written consent, they and/or their respective associate(s) (except any member of the Group) shall not transfer or dispose of any business (the "New Business") subsequently developed from the New Business Opportunity or any interest in the New Business to any third party, or create any mortgage, pledge, lien or any other encumbrance or third party's rights over the New Business or any interest in it.

The Controlling Shareholders have also granted the Company the Option to acquire the New Business or any interest in it in accordance with (a) commercial terms which (i) will not be less favourable than those applicable to the acquisition of the same New Business Opportunity by the Controlling Shareholders in the first instance, provided that the Company shall reimburse the Controlling Shareholders for the acquisition costs (including tax expenses, financing costs, professional fees and travelling expenses) incurred by them in respect of their acquisition of such New Business Opportunity; and (ii) have been opined by an independent financial adviser of the Company as being normal commercial terms arrived at in the ordinary course of business of the Company, fair and reasonable and in the interest of the Company and the Shareholders as a whole; and (b) any requirement under the Listing Rules in relation to the acquisition of the New Business and any interest in it.

The Controlling Shareholders have further undertaken:

- (a) to procure all relevant information relating to the implementation of the above-mentioned provisions of the Amended Non-competition Deed in their possession or the possession of their respective associate(s) (except any member of the Group) to be provided to the Company for its assessment of the New Business Opportunity;
- (b) in relation to any information which the Controlling Shareholders and/or their associates are subsequently provided with by the potential counterparties prior to any acquisition, purchase or undertaking of a New Business Opportunity by them and/or their associates (the "Acquisition"), to provide such information to the Company and/or procure that such information be provided to the Company as soon as practicable after their receipt of the same;
- (c) to make best endeavours to facilitate the Company to carry out all necessary due diligence on the New Business Opportunity after their Acquisition (if any) of a New Business Opportunity;
- (d) for as long as they have not disposed of the New Business, to provide the Company with the business and financial information of the New Business after the Acquisition at least on a semi-annual basis to enable the Company to closely monitor the status of the New Business; and
- (e) to allow, subject to any confidentiality obligation to any third party, the representatives of the Company or its auditors to have access to such financial and corporate records as may be necessary for them to determine whether the Controlling Shareholders and/or their respective associate(s) (except any member of the Group) have complied with the above-mentioned provisions of the Amended Non-competition Deed.

The Controlling Shareholders (for themselves and on behalf of their respective associate(s) (except any member of the Group)) have also acknowledged that the Company may be required by the relevant laws, regulations, the Listing Rules or any request from any regulator to disclose, from time to time, information relating to the matters under the Amended Non-competition Deed, including the disclosure by public announcement(s) or in the annual report(s) of the Company of the decisions made by the Company to pursue or decline any New Business Opportunity and, have consented to such disclosure to the extent necessary to comply with such requirements.

There is no change to the remaining material terms of the Current Non-competition Deed under the Amended Non-competition Deed.

The Amended Non-competition Deed shall take effect upon the Company having obtained the approval of Independent Shareholders in respect of the execution of the Amended Non-competition Deed in accordance with the Listing Rules. If such condition is not fulfilled on or before 30 June 2015 or such later date as may be agreed by the parties, the Amended Non-competition Deed shall terminate with immediate effect and the Current Non-competition Deed shall continue to be effective and binding on the parties.

## **INTERNAL REVIEW PROCESS**

Upon receipt of the written notice of any New Business Opportunity, a Board committee comprising only the independent non-executive Directors will review, consider and decide whether (i) the New Business Opportunity would constitute a restricted business set out in the Current Non-competition Deed (“**Restricted Business**”); and (ii) it is in the interest of the Group and the Shareholders as a whole to pursue the New Business Opportunity or permit the Controlling Shareholders or their associate(s) to pursue the New Business Opportunity.

In assessing whether or not to pursue the New Business Opportunity, the independent non-executive Directors should consider all factors they consider relevant, including feasibility studies, estimated profitability, market, commercial and counterparty risks, compliance with the business strategy of the Group, possible synergy with the Group’s operation, the financial resources available to the Group and the qualifications and/or eligibility the Group has at that time, as well as the relevant legal, regulatory and contractual requirements, with a view to arriving at a decision which is in the best interest of the Group and the Shareholders as a whole. Such Board committee may appoint financial advisors or professional experts to provide advice, at the cost of the Company, on whether to pursue or decline any New Business Opportunity.

In addition, if the Controlling Shareholders undertake the Acquisition after the Company declines the New Business Opportunity, a Board committee comprising the independent non-executive Directors only will review whether to exercise the Option at least on an annual basis and its decision (including the basis thereof) will be disclosed in the annual reports of the Company.

The undertakings provided by the Controlling Shareholders under the Current Non-competition Deed in relation to the provision of information regarding their compliance with the Current Non-competition Deed remain unchanged under the Amended Non-competition Deed. Such undertakings include:

- (a) the Controlling Shareholders shall allow, and shall procure that the relevant associates (excluding any member of the Group) allow, the Directors and auditors of the Company to review, at least on an annual basis, compliance of the non-competition undertakings by the Controlling Shareholders;
- (b) the Controlling Shareholders shall provide all information necessary for the annual review by the independent non-executive Directors and the enforcement of the non-competition undertakings;
- (c) the Company shall disclose decisions on matters reviewed by the independent non-executive Directors relating to the compliance and enforcement of the non-competition undertakings either through the annual report, or by way of announcement to the public; and
- (d) the Controlling Shareholders shall provide the Company with a confirmation annually, for inclusion by the Company in its annual report, as to their compliance with the non-competition undertakings.

#### **REASONS FOR ENTERING INTO THE AMENDED NON-COMPETITION DEED**

The Directors (excluding the independent non-executive Directors whose views will be contained in the circular to be issued by the Company after considering the advice from the Independent Financial Adviser) are of the view that the restriction under the Current Non-competition Deed on the Controlling Shareholders not to pursue a New Business Opportunity even after the Company decides to decline it is unnecessarily burdensome. On the other hand, the new procedures under the Amended Non-competition Deed to allow the Controlling Shareholders and/or their associate(s) to pursue the New Business Opportunities on their own accord on terms not more favourable than the terms available to the Group if the Company does not have the ability or resources or does not wish to pursue such New Business Opportunities at the time, in conjunction with the restriction not to transfer the New Business to any third party without the Company's consent and the Option in favour of the Company to acquire the New Business, would reserve flexibility for the Group to acquire and/or participate in the New Business at a later but more appropriate time after the Company has conducted proper due diligence and completed all necessary steps required of it as a company listed on the Stock Exchange.

Based on the above, the Directors (excluding the independent non-executive Directors) believe that the amended provisions under the Amended Non-competition Deed would enhance the procedures of referring new business opportunities relating to any Restricted Business to the Company and are in the interest of the Group and the Shareholders as a whole.

## **INFORMATION ON THE PARTIES**

The Controlling Shareholders refers to Chairman Li, Mr. Li Xuanyu, Yu Kuo, Yu Qi and/or Holy Eagle. Chairman Li refers to Mr. Li Liufa (李留法) who is the founder of the Group and the chairman of the Board. Mr. Li Xuanyu (李玄煜) is the son of Chairman Li. The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. The entire issued share capital of Holy Eagle is legally and beneficially owned by Chairman Li while the entire issued share capital of Yu Qi is legally and beneficially owned by Mr. Li Xuanyu (李玄煜). As at the date of this announcement, Yu Kuo holds approximately 39.57% of the issued share capital of the Company. Each of Yu Kuo, Yu Qi and Holy Eagle is investment holding company. Chairman Li and Mr. Li Xuanyu are interested in different businesses such as foundry business, aluminum business, tourism and hotel business; and hold indirect equity interest in Ruiping Shilong which is involved in production, sale and distribution of clinker.

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

## **LISTING RULES IMPLICATIONS**

As at the date of this announcement, the Controlling Shareholders in aggregate control more than 30% of the issued share capital of the Company and thus are connected persons of the Company as defined under the Listing Rules. The entering into of the Amended Non-competition Deed constitutes a connected transaction under Chapter 14A of the Listing Rules which is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

An Independent Board Committee has been formed to advise the Independent Shareholders on the Amended Non-competition Deed. The Independent Financial Adviser has also been appointed to advise the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-competition Deed.

Save for Chairman Li and Mr. Li Jiangming (李江銘) who is the younger brother of Chairman Li's wife and the uncle of Mr. Li Xuanyu (Chairman Li's son), all of the Directors have confirmed that none of them has any material interest in the Amended Non-competition Deed; and therefore no Director (except Chairman Li and Mr. Li Jiangming (李江銘)) are required to abstain from voting at the meeting of the Board to approve the Amended Non-competition Deed.

## **EGM**

The EGM will be held for the Independent Shareholders to consider and approve the Amended Non-competition Deed by way of ordinary resolution(s).

A circular containing, among other things, (i) the details of the Amended Non-competition Deed; (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the Amended Non-competition Deed; (iii) a letter of advice from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-competition Deed; and (iv) a notice to convene the EGM, will be despatched to the Shareholders in due course.

As at the date of this announcement, the Controlling Shareholders have a material interest in the Amended Non-competition Deed. Accordingly, the Controlling Shareholders and their respective associate(s) shall abstain from voting in respect of the resolutions approving the Amended Non-competition Deed at the EGM.

## DEFINITIONS

In this announcement, the following expressions shall have the meanings ascribed to them below unless the context requires otherwise:

“Amended Non-competition Deed”	the amended deed of non-competition undertaking entered into by the Controlling Shareholders in favour of the Company on 16 October 2014
“associate”	has the meaning ascribed to the term under the Listing Rules
“Board”	the board of Directors
“Business Day”	a day (other than a Saturday or a Sunday or a public holiday in Hong Kong or the PRC) on which licensed banks are generally open for business in Hong Kong or the PRC during normal business hours
“Chairman Li”	Li Liufa (李留法) the founder, chairman and a Controlling Shareholder of the Group
“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 Shareholders”	has the meaning ascribed to it under the Listing Rules (i.e. any person (including a holder of depositary receipts) who is group of persons (including any holder of depositary receipts) who are together entitled to exercise or control the exercise of 30% (or such other amount as may from time to time be specified in the Takeovers Code as being the level for triggering a mandatory general offer) or more of the voting power at general meetings of the issuer or who is or are in a position to control the composition of a majority of the board of directors of the issuer) and, in the context of this announcement, refers to Chairman Li, Mr. Li Xuanyu (李玄煜), Yu Kuo, Yu Qi and/or Holy Eagle
“Current Non-competition Deed”	the deed of non-competition undertaking entered into by the Controlling Shareholders in favour of the Company on 9 December 2011
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened and held to consider and approve, among other things, the Amended Non-competition Deed
“Group”	the Company and its subsidiaries from time to time and “member(s) of the Group” shall be construed accordingly
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Holy Eagle”	Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability and is a Controlling Shareholder
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	independent board committee of the Company comprising Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, being all independent non-executive Directors, to advise the Independent Shareholders in respect of the Amended Non-competition Deed
“Independent Financial Adviser”	TC Capital Asia Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Amended Non-competition Deed
“Independent Shareholder(s)”	Shareholders other than those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the Amended Non-competition Deed
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“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
“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
“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
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability and is a Controlling Shareholder

“Yu Qi”

Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability and is a Controlling Shareholder

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

Ruzhou City, Henan Province, PRC, 16 October 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. Li Jiangming

*Independent Non-executive Directors*

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