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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 your stockbroker or other registered dealer in securities, bank manager, solicitor, 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 transferee or to the bank, stockbroker or other agent through whom the sale 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  
MAJOR TRANSACTION  
2015 FRAMEWORK AGREEMENT IN RELATION  
TO PROVISION OF MUTUAL GUARANTEES**

**Independent financial adviser to  
the Independent Board Committee and the Independent Shareholders**



**TC CAPITAL**  
**天財資本**  
**TC Capital Asia Limited**

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A letter from the Board is set out on pages 5 to 21 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 22 to 23 of this circular.

A letter from TC Capital Asia Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 37 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 10 am on 20 November 2015 at 11th Floor, Hailian Building, Shang Wu Wai Huan Road No. 20, Zheng Dong Xin District, Zhengzhou City, Henan Province, PRC is set out on pages 52 to 53 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 24 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.

30 October 2015

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## CONTENTS

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	<i>Page</i>
<b>Definitions</b> .....	1
<b>Letter from the Board</b> .....	5
<b>Letter from the Independent Board Committee</b> .....	22
<b>Letter from TC Capital Asia Limited</b> .....	24
<b>Appendix I — Financial Information of the Group</b> .....	38
<b>Appendix II — General Information</b> .....	39
<b>Notice of Extraordinary General Meeting</b> .....	52

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## DEFINITIONS

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

“2013 Counter Guarantee Agreement”	the agreement dated 30 October 2013 entered into between Tianrui Cement and Chairman Li, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement for any amount that becomes payable by Tianrui Cement or its subsidiaries in relation to the Tianrui Cement Guarantee
“2013 Framework Agreement”	the agreement dated 30 October 2013, entered into between Tianrui Group Company and Tianrui Cement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other
“2015 Counter Guarantee Agreement”	the agreement dated 24 September 2015 entered into between Tianrui Cement and Chairman Li, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement for any amount that becomes payable by Tianrui Cement or its subsidiaries in relation to the Tianrui Cement Guarantee
“2015 Framework Agreement”	the agreement dated 24 September 2015, entered into between Tianrui Group Company and Tianrui Cement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other
“2015 Interim Report”	the interim report of the Company for the six months ended 30 June 2015
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of directors of the Company
“Chairman Li”	Li Liufa (李留法), the 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
“continuing connected transaction(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules

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## DEFINITIONS

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“Counter Guarantee”	the counter guarantee provided by Chairman Li pursuant to 2013 Counter Guarantee Agreement and/or the 2015 Counter Guarantee Agreement, as the case may be
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting to be held by the Company to, amongst others, consider and approve the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder
“Group”	the Company and its subsidiaries
“Guarantees”	the Tianrui Group Guarantee and the Tianrui Cement Guarantee
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRS”	International financial reporting standard as effective from time to time
“Independent Board Committee”	a Board committee comprising all the independent non-executive Directors
“Independent Financial Adviser”	TC Capital Asia Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Tianrui Cement Guarantee under 2015 Framework Agreement and the Tianrui Cement Guarantee Annual Caps
“Independent Shareholders”	Shareholders other than Yu Kuo and those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of our Directors, chief executives, substantial shareholders or any of our subsidiaries or any of their associates
“Latest Practicable Date”	29 October 2015, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing”	the listing of the shares of the Company on the Stock Exchange since 23 December 2011

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## DEFINITIONS

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“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mrs. Li”	Ms. Li Fengluan, the spouse of Chairman Li
“Non-competition Deed”	the revised non-competition deed approved in the extraordinary general meeting of the Company on 17 November 2014
“PRC”	the People’s Republic of China
“PRC GAAP”	PRC generally accepted accounting principles as effective from time to time
“Revised Annual Caps”	the annual caps for Tianrui Cement Guarantee and Tianrui Group Guarantee pursuant to the 2015 Framework Agreement
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiping Power”	Pingdingshan Ruiping Power Company Limited (平頂山瑞平煤電有限公司), a company incorporated in the PRC with limited liability
“Shareholders”	shareholders of the Company
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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 our Company
“Tianrui Cement Guarantee”	the guarantee provided by Tianrui Cement to Tianrui Group Company (including its subsidiaries but, excluding its subsidiaries engaged in aluminum-related business pursuant to the 2013 Framework Agreement and/or the 2015 Framework Agreement, as the case may be
“Tianrui Foundry”	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
“Tianrui Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability

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## DEFINITIONS

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“Tianrui Group Guarantee”	the guarantee provided by Tianrui Group Company to Tianrui Cement (including its subsidiaries) pursuant to the 2013 Framework Agreement and/or the 2015 Framework Agreement, as the case may be
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is an intermediate controlling shareholder of the Company holding 39.57% 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 Mrs. Li

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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)**

**Directors:**

*Chairman and non-executive Director:*

Mr. Li Liufa

*Executive Directors:*

Mr. Yang Yongzheng

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

*Place of Business in PRC:*

No. 63 Guangcheng Road East

Ruzhou City, Henan Province

PRC

30 October 2015

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION**  
**MAJOR TRANSACTION**  
**2015 FRAMEWORK AGREEMENT IN RELATION**  
**TO PROVISION OF MUTUAL GUARANTEES**

**INTRODUCTION**

Reference is made to the Company's announcement dated 24 September 2015 in relation to the major and continuing connected transactions contemplated under the 2015 Framework Agreement.

Pursuant to the Listing Rules, the Tianrui Cement Guarantee contemplated under the 2015 Framework Agreement constitutes continuing connected transactions for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements.

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## LETTER FROM THE BOARD

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The purpose of this circular is to set out, among other things, (i) the details of the 2015 Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from TC Capital Asia Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

### **MAJOR TERMS OF THE 2015 FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER**

#### **I. Major Terms of the 2015 Framework Agreement**

##### **1. Date**

24 September 2015

##### **2. Effective Period**

The 2015 Framework Agreement shall be effective for a term (“**Term**”) from 27 November 2015 to 31 December 2017, subject to all the conditions precedent (including Independent Shareholders’ approval) thereto being fulfilled.

As the 2013 Framework Agreement became effective on 27 November 2013, the date on which it was approved in the extraordinary general meeting of the Company, the two-year term of the 2013 Framework Agreement will expire on 26 November 2015.

##### **3. Parties**

Tianrui Cement; and

Tianrui Group Company

##### **4. Mutual Guarantee**

###### *(a) Tianrui Group Guarantee*

Pursuant to the 2015 Framework Agreement, Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Cement or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them.

###### *(b) Tianrui Cement Guarantee*

According to the same agreement, Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them. In the event that the relevant loan, debenture or corporate bonds is to be borrowed or issued

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## LETTER FROM THE BOARD

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by any of Tianrui Group Company's subsidiaries, Tianrui Group Company shall provide the primary guarantee ("**Primary Guarantee**") to the lenders in respect to the loan, debenture or corporate bonds while Tianrui Cement Guarantee shall only be provided as additional credit support. In addition, with respect to such Tianrui Cement Guarantee, Tianrui Group Company shall enter into an agreement with Tianrui Cement to indemnify ("**Indemnity**") Tianrui Cement for any amount payable by Tianrui Cement in accordance with the terms and conditions of the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds.

For avoidance of doubt, any member of the Group will not be considered as subsidiary of Tianrui Group Company for the purpose of the 2015 Framework Agreement.

The provision of the Guarantees by each party under the 2015 Framework Agreement will be subject to the guarantor having fully understood the borrower's business obligations and financial position, and further in the case of Tianrui Cement Guarantee, the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2015 Framework Agreement. For further details, please refer to the section headed "Risk Management Measures under the 2015 Framework Agreement".

No commission is payable by Tianrui Cement or Tianrui Group Company to each other in connection with any of the Guarantees, which the Directors consider is fair and reasonable to the Company and its shareholders on the basis that, among others, commission in relation to guarantee is normally calculated based on the annual amount of the guarantees. The proposed annual caps of Tianrui Group Guarantee are higher than those of Tianrui Cement Guarantee, and it is also expected that the amount to be utilized under Tianrui Group Guarantee is greater than the amount to be utilized under Tianrui Cement Guarantee; therefore, the commission payable by Tianrui Cement under the Tianrui Group Guarantee would be greater than that by Tianrui Group Company under the Tianrui Cement Guarantee, should any commission be payable. As such, it would be for the benefits of Tianrui Cement for there not to be any commission payable under the 2015 Framework Agreement.

No security shall be provided over the assets of any member of the Group in relation to any of the Guarantees.

Pursuant to the 2015 Framework Agreement, no obligations under the Tianrui Cement Guarantee and Tianrui Group Guarantee shall be offset against each other.

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## LETTER FROM THE BOARD

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### 5. *Conditions Precedent*

The Guarantees will be subject to the conditions precedent set out as follows:

- (i) the Company has complied with the requirements provided under the Listing Rules in respect of the transactions contemplated under the 2015 Framework Agreement; and
- (ii) the 2015 Framework Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders in compliance with the Listing Rules.

### 6. *Annual Caps for the Guarantees*

The proposed annual caps (“**Revised Annual Caps**”) provided in the 2015 Framework Agreement are set out as follows:

	Year ending 31 December		
	2015	2016	2017
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
Maximum daily balance of Tianrui Cement Guarantee	2,500	2,500	2,500
Maximum daily balance of Tianrui Group Guarantee	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

The annual caps for Tianrui Cement Guarantee were determined by the Board after taking into consideration the following factors:

- (a) the historical utilisation as set out in the section headed “Reasons for and Benefits of the 2015 Framework Agreement — Historical Utilisation” hereunder, and the funding needs of the Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for current borrowings of approximately RMB721 million secured by Tianrui Cement Guarantee as of the Latest Practicable Date; and
- (b) increase in future capital requirements of Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business). As advised by the management of Tianrui Group Company, it is expected that approximately RMB1,800 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, energy and other business.

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## LETTER FROM THE BOARD

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The annual caps for Tianrui Group Guarantee were determined by the Board after taking into consideration the following factors:

- (a) the historical utilisation as set out in the section headed “Reasons for and Benefits of the 2015 Framework Agreement — Historical Utilisation” hereunder, and the funding needs of Tianrui Cement and its subsidiaries for current borrowings of approximately RMB2,245 million which has been secured by Tianrui Group Guarantee as of the Latest Practicable Date; and
- (b) Tianrui Cement’s possible needs of approximately RMB3,750 million to finance its fixed assets investments for acquisition projects and/or its general working capital during the Term, having taken into account the possible investment projects as follows:

	<b>Project Description</b>	<b>Required Amount</b>
1	Acquisition of three production lines located in Dengfeng City (登封市), Henan Province, with a total annual clinker production capacity of 4,650,000 tones and total annual cement production capacity of 6,000,000 tonnes.	Approximately RMB2,250,000,000
2	Acquisition of one production line located in Ru Zhou City (禹州市), Henan Province, with annual clinker production capacity of 1,550,000 tones and annual cement production capacity of 2,000,000 tonnes.	Approximately RMB750,000,000
3	Acquisition of one production line located in Zheng Zhou City (鄭州市), Henan Province, with annual clinker production capacity of 1,550,000 tones and annual cement production capacity of 2,000,000 tonnes.	Approximately RMB750,000,000
	Total:	Approximately RMB3,750,000,000

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## LETTER FROM THE BOARD

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All the terms of the 2015 Framework Agreement remains materially the same as the 2013 Framework Agreement, except for the annual caps amount and calculation method as set out below:

	<b>Annual Caps under 2013 Framework Agreement</b>	<b>Revised Annual Caps under 2015 Framework Agreement</b>
Tianrui Cement Guarantee	<ul style="list-style-type: none"><li>• Aggregate amount of RMB2,200 million for the first 12-month period</li><li>• Aggregate amount of RMB3,000 million for the second 12-month period</li></ul>	Maximum daily balance not exceeding RMB2,500 million during the term from 27 November 2015 to 31 December 2017
Tianrui Group Guarantee	<ul style="list-style-type: none"><li>• Aggregate amount of RMB5,200 million for the first 12-month period</li><li>• Aggregate amount of RMB6,000 million for the second 12-month period</li></ul>	Maximum daily balance not exceeding RMB6,000 million during the term from 27 November 2015 to 31 December 2017

The Board considered that the calculation of the Revised Annual Caps by reference to the daily maximum balance under the 2015 Framework Agreement, as compared to the calculation by reference to the aggregate utilization amounts (whether such guarantees have been released or not), is more precise and may allow for greater flexibility in utilization of the guarantees, especially where multiple guarantees of short-term loans are required during any particular calendar year. The daily maximum balance can also provide a cap for maximum liability at any point of time during the Term, hence making it easier to monitor.

## II. Counter Guarantee

On 24 September 2015, Chairman Li, entered into the 2015 Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li agreed to indemnify Tianrui Cement by means of the Counter Guarantee for any amount payable by Tianrui Cement or its subsidiaries in connection with the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds.

As there has not been a single event of default of the loans secured by Tianrui Cement Guarantee, the Company was never required to enforce the guarantee and indemnity mechanism under the 2013 Counter Guarantee Agreement since providing the Tianrui Cement Guarantee.

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## LETTER FROM THE BOARD

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The protection under the 2015 Counter Guarantee Agreement is only one of the protection measures that the Company has taken into account when assessing the feasibility of entering into the 2015 Framework Agreement. As set out in “1. Major Terms of the 2015 Framework Agreement — 4(b) Tianrui Cement Guarantee”, in the event that the relevant loan, debenture or corporate bonds is to be borrowed or issued by any of Tianrui Group Company’s subsidiaries, Tianrui Group Company shall provide the primary guarantee to the lenders in respect to the loan, debenture or corporate bonds while Tianrui Cement Guarantee shall only be provided as additional credit support. In addition, with respect to such Tianrui Cement Guarantee, Tianrui Group Company shall enter into an agreement with Tianrui Cement to indemnify Tianrui Cement for any amount payable by Tianrui Cement in accordance with the terms and conditions of the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds.

The Board considers that the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Counter Guarantee is exempted from reporting, announcement and independent shareholders’ approval requirements according to Rule 14A.90 of the Listing Rules.

The Counter Guarantee arrangement for the 2015 Framework Agreement is identical in nature as Chairman Li’s counter guarantee arrangement for the 2013 Framework Agreement.

### **REASONS FOR AND BENEFITS OF THE 2015 FRAMEWORK AGREEMENT**

The 2015 Framework Agreement was entered into by Tianrui Cement and Tianrui Group Company after taking into account the following factors:

- (a) It is common commercial practice for lenders in China to require the provision of guarantees as security for provision of loans to a borrower. In particular, privately-owned companies, such as Tianrui Cement, are often required by the PRC banks to provide third-party guarantee before granting a loan. In view of the recent overall domestic economic slowdown, financial institutions in the PRC have implemented tightened risk control measures, which require borrowers to extend or provide additional guarantees before granting the loans.
- (b) The historical utilisation of Tianrui Group Guarantee is greater than that of Tianrui Cement Guarantee. As at the Latest Practicable Date, the outstanding balance of Tianrui Cement Guarantee is approximately RMB721 million while outstanding balance of the Tianrui Group Guarantee is approximately RMB2,245 million. During the term of the 2013 Framework Agreement and as at the Latest Practicable Date, there has not been default of any loans guaranteed by either the Tianrui Group Guarantee nor the Tianrui Cement Guarantee.

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## LETTER FROM THE BOARD

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### *Historical Utilisation*

Since the 2013 Framework Agreement became effective on 27 November 2013, the historical annual aggregate utilization amounts for the year ended 31 December 2013 and 31 December 2014, whether such guarantee have been released or not, are as follows:

	For the year ended	
	31 December 2013	31 December 2014
Tianrui Cement Guarantee	RMB772 million	RMB1,432 million
Tianrui Group Guarantee	RMB2,000 million	RMB2,245 million

The utilized and outstanding amount of Tianrui Cement Guarantee which has not been released as at the Latest Practicable Date is RMB721 million, all of which are guarantees provided as security for project loans from the banks in PRC, details of which are as follows: (1) guaranteed amount of RMB94 million has been utilized with respect to a Buddha Scenic Spot project in Lushan County (魯山大佛景區), Pingdingshan City, Henan province, whose loan tenure ends on 7 December 2017; (2) guaranteed amount of RMB432 million has been utilized with respect to a manufacturing coke oven gas project (搗固焦項目) in Henan province, whose loan tenure ends on 10 April 2016; (3) guaranteed amount of RMB195 million has been utilized with respect to a foundry project (鑄件項目) in Henan province, whose loan tenure ends on 29 August 2024 (collectively “Existing Projects”).

All the tenure for the above project loans are beyond expiry of the current term under 2013 Framework Agreement on 26 November 2015, but the Company shall provide further Tianrui Cement Guarantee beyond 26 November 2015 only upon prior approval by Independent Shareholders. When the relevant PRC banks grant the above loans to Tianrui Group Company, it is understood among all parties that the current Tianrui Cement Guarantee only lasts until 26 November 2015 and is to be renewed only upon the approval of the Independent Shareholders. In the event of termination of Tianrui Cement Guarantee upon expiry on 26 November 2015 as a result of failure to obtain Independent Shareholders’ approval, it is expected that Tianrui Group Company shall enter into further negotiation with PRC banks while there will not be any legal obligations or liability on the part of the Group.

As disclosed above, the utilized amounts under the Tianrui Cement Guarantee have been applied to the sector of tourism, energy and foundry, which are not in competition with the Group’s business. The expected utilization of the remaining balance of Tianrui Cement Guarantee is expected to be utilized for the further development of the Existing Projects and/or other tourism projects, energy projects and foundry projects, all of which are not in competition with the business of the Group. In addition, the special committee of the Company shall monitor the utilization of the Tianrui Cement Guarantee, and the internal guidelines of the special committee is that no approval will be granted for financing projects which are directly or indirectly related to competing business, including those set out in the section headed “Appendix II — General Information — 3. Competing Interests” in this circular.

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## LETTER FROM THE BOARD

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- (c) The Group's business is capital-intensive. While the Group has continuously sought to diversify its external funding sources, domestic PRC bank loans remain a vital source in satisfying the Group's financing needs. Consistent with its business strategy, the Group intends to engage in business acquisitions so as to benefit from the consolidation trend in China's cement industry and ensure the sustainable development of the Group's business in the long term. As a result of the Tianrui Group Guarantee, the Group will not only be able to enhance its ability to obtain bank loans and other borrowings, but it will also have the flexibility to approve and finalize relevant loans and borrowings in a timely manner, which is important to the Group's implementation of its business expansion, particularly in relation to acquisitions.
- (d) With respect to the Tianrui Cement Guarantee:
- (i) Tianrui Cement will have recourse against Tianrui Group Company for Tianrui Cement's potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group Company, Tianrui Group Company shall provide the primary guarantee. Furthermore, Tianrui Group Company, by entering into the 2015 Framework Agreement, has agreed to indemnify Tianrui Cement for any amount payable in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan;
  - (ii) Chairman Li also agreed to indemnify Tianrui Cement for any amount that Tianrui Cement would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2015 Framework Agreement;
  - (iii) Tianrui Cement will not provide guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. During the term of the 2013 Framework Agreement and as at the Latest Practicable Date, there has been a continual decrease in demand from aluminum end-customers and the global primary aluminum market has been experiencing excess supply. The issue of excess market supply and overcapacity in the aluminum industry is also very acute in China and the financial and credit status of aluminum enterprises have been materially and adversely affected by the unfavorable industry and market conditions. As such, Tianrui Cement's exposure to the credit risk of Tianrui Group Company under the Tianrui Cement Guarantee will be minimized by carving out Tianrui Group Company's subsidiaries operating in the aluminum-related business; and

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## LETTER FROM THE BOARD

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- (iv) As at the Latest Practicable Date, Tianrui Group Company confirms that it does not have any repayment default in respect of any loan arrangements with banks. The financial position of Tianrui Group Company is reasonably healthy, certain particulars of which are set out in the section headed “Financial Information of Tianrui Group Company” in this circular.
- (e) In order to secure sufficient funds for the operations of the Group, the management of Tianrui Cement also considered the following measures as alternatives to the Guarantees and the principal reasons for not adopting these measures are set out as follows:

**(i) Guarantees provided by an independent third party**

To compensate for the risk exposure of an independent third party guarantor, Tianrui Cement would need to pay a commission calculated based on the annual amount of the guarantee. Since the annual amount of the guarantee as suggested by the proposed annual caps for the Tianrui Cement Guarantee is high, the commission chargeable by such guarantor would be costly for the Group.

The Board is of the view that (1) practically speaking, it is highly unlikely for any independent third party to provide guarantee for such a relatively high guarantee amount of RMB6,000 million; and (2) pursuant to the market practice as guided by, among others, the Notice of Strengthening Credit Systems of Medium and Small-Sized Enterprises from Development and Reform Commission and Other Departments and approved by the State Council (國務院辦公廳轉發發展改革委等部門關於加強中小企業信用擔保體系建設意見的通知), the market standard guarantee fee is generally equivalent to 50% of the prevailing bank benchmark loan interest rate (subject to fluctuation of 30%–50% based on various factors such as the risks associated with the guarantee and mutual agreement) will be charged before any such guarantee is provided, which adds to the expenses as well as cashflow pressure on the Company. Given the relatively high guarantee amount of RMB6,000 million, the Company expects the guarantee fee will be at least at the high end of the allowed range.

**(ii) Guarantees provided by the Company**

The Company is established in the Cayman Islands and the banks of Tianrui Cement are all in China. In practice, the PRC banks do not normally accept guarantees from a foreign entity. On the other hand, the primary assets that the Company holds are the equity interests in Tianrui Cement. Therefore, from a lender’s perspective, the guarantee from the Company will not provide any additional credit for Tianrui Cement to secure its bank facilities.

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## LETTER FROM THE BOARD

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### **(iii) Individual guarantee relating to each individual loan agreement**

As described in paragraph (c) above, the Group's business is capital-intensive. Such arrangement could limit the flexibility for the Group to approve and execute its relevant loans and borrowings within a short period of time.

### **RISK MANAGEMENT MEASURES UNDER THE 2015 FRAMEWORK AGREEMENT**

In order to minimize the risk exposure of Tianrui Cement in relation to the Tianrui Cement Guarantee, the Board shall continue to establish a special committee comprising not less than three Directors and the majority of the committee members shall be independent non-executive Directors. It is an internal guideline that the special committee membership shall not be offered to (1) Chairman Li or any of his associates or who otherwise have material interest in the subject matter, or (2) anyone who is also employee of any company (except for any member of the Group) which is under the control of Tianrui Group Company or Chairman Li. The special committee shall, during the Term:

- (a) review and approve each Tianrui Cement Guarantee. The special committee has the right to fully understand the business operations and financial position of the borrower before approving each Tianrui Cement Guarantee. It would not constitute a breach of the 2015 Framework Agreement if, after a review of the financial position of the borrower, the special committee considers it inappropriate to approve such guarantee. To facilitate such review process, Tianrui Group Company and its subsidiaries shall promptly provide their financial statements and other relevant information as requested by the special committee. The special committee will take into account the following factors when approving such guarantee:
  - (i) no guarantee should be granted to a borrower with negative consolidated equity attributable to owners;
  - (ii) no guarantee should be granted to a borrower operating in aluminum-related business; and
  - (iii) no guarantee should be granted to a borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;
- (b) monitor the implementation of each individual guarantee provided by Tianrui Cement under the 2015 Framework Agreement;
- (c) consider the suitability of the guaranteed company (such as whether the guaranteed company is involved in any competing business);
- (d) periodically review the management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group Company at a frequency of at least once every three months or when urgent need arises; and

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## LETTER FROM THE BOARD

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- (e) periodically review and examine any material adverse changes on the business, property, assets or operations of Tianrui Group Company, or its ability to perform any of its obligations under the 2015 Framework Agreement at a frequency of at least once every three months or when urgent need arises.

The risk management measures for the 2015 Framework Agreement remain the same as that for the 2013 Framework Agreement. It is also an internal guideline for the special committee to ensure that the utilized amount of Tianrui Cement Guarantee is effectively lower than the utilized amount of Tianrui Group Guarantee.

The Directors are of the view that the terms of the 2015 Framework Agreement are fair and reasonable, have been entered into after arm's length negotiation between all parties thereto and determined on normal commercial terms or better and are in the interests of the Company and its Shareholders as a whole. In particular, the Company has considered the following factors: (1) the Company's principal consideration for agreeing to provide Tianrui Cement Guarantee for a maximum daily balance of RMB2,500 million has been driven by Tianrui Group Company's agreeing to provide Tianrui Group Guarantee for a maximum daily balance of RMB6,000 million, being RMB3,500 million more than that of Tianrui Cement Guarantee; (2) there has not been a single event of default of the loans secured by Tianrui Cement Guarantee during the term of the 2013 Framework Agreement; (3) after evaluating the Group's need for the financing under Tianrui Group Guarantee with a maximum daily outstanding amount of RMB6,000 million as compared to the relatively small risk associated with default under Tianrui Cement Guarantee in light of the additional protection of Primary Guarantee and Indemnity (please refer to section headed "I. Major Terms of the 2015 Framework Agreement — 4(b) Tianrui Cement Guarantee" for further details) provided by Tianrui Group Company under the 2015 Framework Agreement, counter guarantee provided by Chairman Li under the 2015 Counter Guarantee Agreement, and the track record of no single event of default under Tianrui Cement Guarantee to date, the Directors are of the view that the risks associated with Tianrui Cement Guarantee is justified in light of the benefits of Tianrui Group Guarantee as well as the additional protection provided by Tianrui Group Company and Chairman Li as referred to above.

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## LETTER FROM THE BOARD

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### EFFECT OF THE TRANSACTIONS ON THE FINANCIAL POSITION OF THE GROUP

Unless the Tianrui Cement Guarantee is realized, Chairman Li failed to honour his obligation under the Counter Guarantee and when actual economic benefits flow out from Tianrui Cement due to the discharge of its obligation, There has not been single default of the loans secured by the Tianrui Cement Guarantee or the Tianrui Group Guarantee during the term of the 2013 Framework Agreement. The financial position of Tianrui Group Company, as set out in the section headed “Financial Information of Tianrui Group Company”, is also reasonably healthy, the Directors believe that the 2015 Framework Agreement is not likely to have a substantial impact on the financial position of the Group.

The Tianrui Cement Guarantee will initially be recognized as a liability in the consolidated financial statements of the Company, the specific value of which will be determined based on the evaluation. The above liability will be amortized during the Term. In addition, the financial status of the borrower will be regularly reviewed; and the risk shall be assessed and reserves be withheld in the event of a possible default.

The Guarantees are accounted for according to international financial reporting standards as follows:

If an entity has issued a financial guarantee to a third party, the entity will need to consider whether that instrument meets the definition of a financial guarantee contract as set out in paragraph 9 of IAS 39. The Standard defines such contracts as those that require the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The issuer of such a contract should, in accordance with the requirements of IAS 39, initially recognise the financial guarantee contract at fair value and subsequently measure it at the higher of:

- the amount determined in accordance with IAS 37 Provisions, contingent liabilities and contingent assets; and
- the amount initially recognised less, when appropriate, cumulative amortisation in accordance with IAS 18 Revenue.

### LISTING RULES IMPLICATIONS

As at the Latest Practicable Date, Tianrui Group Company is owned as to 70% by Chairman Li, and Tianrui Group Company also indirectly holds approximately 39.57% shareholding in the Company and is hence the controlling shareholder of the Company. Tianrui Group Company is therefore a connected person of the Company. Therefore, the transactions contemplated under the 2015 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

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## LETTER FROM THE BOARD

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### **Tianrui Cement Guarantee**

As one or more of the applicable percentage ratios exceed 5% but all applicable percentage ratios are less than 75%, the Tianrui Cement Guarantee is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Further, the provision of the Tianrui Cement Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules.

As the amount of the proposed annual caps (the daily maximum balance not exceeding RMB2,500 million for each of the three years ending 31 December 2017) of Tianrui Cement Guarantee exceeds 8% under the assets ratio as defined under Rule 13.16 of the Listing Rules, the grant of Tianrui Cement Guarantee is also subject to the general disclosure obligations set out therein.

### **Tianrui Group Guarantee**

The Board considers that the Tianrui Group Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Tianrui Group Guarantee is exempted from reporting, announcement and independent shareholders' approval requirements according to rule 14A.90 of the Listing Rules.

### **Counter Guarantee**

On 24 September 2015, Chairman Li, the ultimate controlling shareholder of Tianrui Cement, entered into the 2015 Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement by means of the Counter Guarantee for any amount payable by Tianrui Cement or its subsidiaries in connection with the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds.

The Board considers the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Counter Guarantee is exempted from reporting, announcement and independent shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders as to whether the terms of the 2015 Framework Agreement and the transactions contemplated thereunder, including the 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.

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## LETTER FROM THE BOARD

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### BOARD'S APPROVAL

Save for Chairman Li and Mr. Li Jiangming (李江銘), who is the brother of Mrs. Li, all of the Directors have confirmed that none of them has any material interest in the 2015 Framework Agreement; and therefore no Director (except Chairman Li and Mr. Li Jiangming) is required to abstain from voting at the meeting of the Board to approve the 2015 Framework Agreement.

### EXTRAORDINARY GENERAL MEETING

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the 2015 Framework Agreement and the transactions contemplated thereunder.

Chairman Li (a non-executive Director and Controlling Shareholder of the Company) has abstained from voting on the Board resolutions approving the 2015 Framework Agreement and the transactions contemplated thereunder. In accordance with the Listing Rules, any shareholder with a material interest in the 2015 Framework Agreement and his close associates shall abstain from voting at the EGM, accordingly Yu Kuo Company Limited, which holds a total of 39.57% Shares of the Company as at the Latest Practicable Date and is ultimately controlled by Chairman Li, being connected persons of the Company and having material interests in the 2015 Framework Agreement, will abstain from voting at the EGM for the resolution. The votes of the Independent Shareholders regarding the resolution for approval of the 2015 Framework Agreement and the transactions contemplated thereunder will be taken by poll.

### FINANCIAL INFORMATION OF TIANRUI GROUP COMPANY

The following table sets out the selected consolidated financial figures of Tianrui Group Company prepared in accordance with the PRC generally accepted accounting principles and that of the Company which is prepared in accordance with IFRS for the periods or as of the dates indicated:

	For the six months ended 30 June 2015 <i>RMB'000</i> (unaudited)		For the year ended 31 December 2014 <i>RMB'000</i> (audited)		For the year ended 31 December 2013 <i>RMB'000</i> (audited)	
	Tianrui Group Company	Company	Tianrui Group Company	Company	Tianrui Group Company	Company
Revenue	4,721,881	3,480,143	10,907,693	8,950,286	10,521,594	8,661,166
Profit before tax	410,372	315,701	1,132,412	752,753	1,557,747	729,323
Net profit (after tax)	301,648	230,746	918,437	540,118	1,165,275	483,045
Net cash from operation	753,518	341,423	2,351,450	2,338,631	2,665,318	1,415,037

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## LETTER FROM THE BOARD

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	As at 30 June 2015		As at 31 December 2014		As at 31 December 2013	
	<i>RMB'000</i>		<i>RMB'000</i>		<i>RMB'000</i>	
	(unaudited)		(audited)		(audited)	
	<b>Tianrui Group</b>		<b>Tianrui Group</b>		<b>Tianrui Group</b>	
	Company	Company	Company	Company	Company	Company
Cash and bank balances	3,297,612	1,253,983	2,937,730	973,302	2,283,410	1,016,301
Total assets	55,421,350	23,442,422	53,872,501	24,663,875	50,254,239	21,818,248
Total liabilities	32,122,746	16,302,553	30,875,911	17,250,563	28,142,560	14,947,747
Net assets	23,298,604	7,139,869	22,996,590	7,413,312	22,111,679	6,870,501
Contingent liabilities						
<i>(Note 2 &amp; 3)</i>	Nil	733,650	Nil	733,650	Nil	798,500
Utilized banking facilities						
<i>(Note 4 &amp; 5)</i>	21,836,147	5,105,931	18,204,375	5,045,815	16,127,658	4,675,858

*Note 1:* Tianrui Group Company's financials have been prepared in accordance with PRC GAAP which has consolidated the corresponding amounts stated in the accounts of the Company, which have been prepared in accordance with IFRS.

*Note 2:* The contingent liabilities of the Company arise from provision of Tianrui Cement Guarantee.

*Note 3:* The outstanding amounts borrowed by the Company and secured by Tianrui Group Guarantee is approximately RMB2,245 million as of the Latest Practicable Date. Under PRC GAAP, since the financials of the Company are consolidated into the financials of Tianrui Group Company, the Tianrui Group Guarantee is considered as intra-group guarantee and hence not accounted as contingent liability on the accounts of Tianrui Group Company.

*Note 4:* The utilized amounts of Tianrui Cement Guarantee which is outstanding from time to time has been reflected in the stated utilized banking facilities of Tianrui Group Company as of 30 June 2015, 31 December 2014 and 31 December 2013 respectively.

*Note 5:* Tianrui Group Company does not have any unutilized banking facilities as of the Latest Practicable Date.

### INFORMATION ON THE PARTIES

Tianrui Group Company is a company established in PRC with limited liability and held as to 70% by Chairman Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

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

### RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular and the letter of advice from TC Capital Asia Limited to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 37 of this circular in connection with the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder and the principal factors and reasons considered by TC Capital Asia Limited in arriving at such advice respectively.

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## LETTER FROM THE BOARD

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The Independent Board Committee, having taken into account the advice of TC Capital Asia Limited, considers that the Tianrui Cement Guarantee contemplated under the 2015 Framework Agreement is not in the ordinary course and usual course of business of the Group but is on normal commercial terms or better for the Group and the Revised Annual Caps are fair and reasonable, and therefore are in the interests of the Company and the Shareholders as a whole.

Accordingly, the Board (including the independent non-executive Directors) recommends the Independent Shareholders to vote in favour of the resolution to approve the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder and the Revised Annual Caps at the EGM as set out in the notice of the EGM.

Your attention is drawn to additional information set out in the appendices to this circular.

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



**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

30 October 2015

*To the Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION  
MAJOR TRANSACTION  
2015 FRAMEWORK AGREEMENT IN RELATION  
TO PROVISION OF MUTUAL GUARANTEES**

We refer to the circular of the Company dated 30 October 2015 (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 by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and whether, in our opinion, the terms of the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the 2015 Framework Agreement and the advice of TC Capital Asia Limited in relation thereto as set out on pages 24 to 37 of the Circular, we are of the opinion that the Tianrui Cement Guarantee under 2015 Framework Agreement are not in the ordinary and usual course of business of the Group but are on terms better for the Group and the Tianrui Cement Guarantee Annual Caps provided in the 2015 Framework Agreement are fair and reasonable, and therefore are in the interests of the Company and

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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the 2015 Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder and the Revised Annual Caps.

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 TC CAPITAL ASIA LIMITED

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*The following is the full text of the letter from the TC Capital Asia Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Tianrui Cement Guarantee under the 2015 Framework Agreement and the Tianrui Cement Guarantee Annual Caps and has been prepared for the purpose of inclusion in this circular.*



30 October 2015

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

Dear Sir/Madam,

### CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION

#### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Tianrui Cement Guarantee under the 2015 Framework Agreement and the proposed annual caps for a term from 27 November 2015 to 31 December 2017 (the “**Tianrui Cement Guarantee 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 30 October 2015 issued to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as those defined in the Circular, unless otherwise specified.

Pursuant to the 2013 Framework Agreement, Tianrui Cement, a wholly-owned subsidiary of the Company, agreed to provide guarantee (the “**Tianrui Cement Guarantee**”) to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminum-related business) and Tianrui Group Company agreed to provide guarantees (the “**Tianrui Group Guarantee**”) to Tianrui Cement (including its subsidiaries), directly by themselves or through their subsidiaries, with respect to each other (inclusive of their subsidiaries) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by them. As the 2013 Framework Agreement will expire on 26 November 2015, Tianrui Cement and Tianrui Group Company entered into the 2015 Framework Agreement on 24 September 2015 for a term from 27 November 2015 to 31 December 2017, pursuant to which Tianrui Cement and Tianrui Group Company have conditionally agreed to continue to provide mutual guarantees, subject to the Revised Annual Caps for the Tianrui Cement Guarantee and the Tianrui Group Guarantee. For avoidance of doubt, any member of the Group will not be considered as subsidiary of Tianrui Group Company for the purpose of the 2015 Framework Agreement.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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As at the Latest Practicable Date, Tianrui Group Company is the controlling shareholder of the Company and it is therefore a connected person of the Company. Therefore, the transactions under the 2015 Framework Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios with respect to the Tianrui Cement Guarantee exceed 5% but all applicable percentage ratios are less than 75%, the Tianrui Cement Guarantee is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules. Further, the provision of the Tianrui Cement Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules.

As the amount of the proposed annual caps of Tianrui Cement Guarantee (daily maximum balance not exceeding RMB2,500 million for each of the three years ending 31 December 2017) exceeds 8% under the assets ratio as defined under Rule 14.07(1) of the Listing Rules, the grant of Tianrui Cement Guarantee is also subject to the general disclosure obligations under Rule 13.16 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 respect of the terms of the 2015 Framework Agreement and the transactions contemplated thereunder, including the Revised 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 appointed. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Tianrui Cement Guarantee under the 2015 Framework Agreement and the Tianrui Cement Guarantee Annual Caps.

As at the Latest Practicable Date, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to the independence of us. In the last two years, we have acted as an independent financial adviser to the then Independent Board Committee and Independent Shareholders of the Company in relation to three occasions as detailed in the circulars of the Company dated 8 November 2013, 25 April 2014 and 31 October 2014 respectively and is an independent financial adviser to a discloseable and connected transaction in relation to acquisition of 100% interest in a target company as detailed in the announcement of the Company dated 9 September 2015. Given (i) our independent role in these four engagements; and (ii) our fees for these four engagements represented an insignificant percentage of our revenue, we consider these four engagements would not affect our independence to form our opinion in respect of the Tianrui Cement Guarantee under the 2015 Framework Agreement and the Tianrui Cement Guarantee Annual Caps.

## **BASIS OF OUR OPINION**

In formulating our opinion and recommendation, we have considered, among other things, (i) the Circular; (ii) the annual report of the Company for the year ended 31 December 2014 (the “**2014 Annual Report**”) and the interim report for the six months ended 30 June 2015 (the “**2015 Interim Report**”); and (iii) the audited annual report of Tianrui Group Company for the year ended 31 December 2013 and year ended 31 December 2014 and the unaudited financial report of the Tianrui Group Company for the six months ended 30 June 2015. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, the 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.

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 so as 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 Group, Tianrui Cement or Tianrui Group Company, their respective subsidiaries, and/or their associated companies.

## **PRINCIPAL FACTORS AND REASONS CONSIDERED**

In formulating our opinions in respect of the Tianrui Cement Guarantee, we have considered the following principal factors and reasons:

### **1. Background information of the parties to the 2015 Framework Agreement**

#### *a. The Group*

As set out in the Letter from the Board, the Group is principally engaged in business ranging from excavation of limestone to production, sale and distribution of cement. Sales of cement represented over 85% of the total gross revenue of the Group for each of the three years ended 31 December 2012, 2013 and 2014.

#### *b. Tianrui Cement*

The principal businesses of the Group are carried out by Tianrui Cement and its subsidiaries and range from excavation of limestone to production, sales and distribution of clinker and cement.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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As Tianrui Cement is not a banking company (as defined in Chapter 14A of the Listing Rules), the entering into the 2015 Framework Agreement is not in the ordinary and usual course of business (as defined in Chapter 14A of the Listing Rules) of the Group.

*c. Tianrui Group Company*

As set out in the Letter from the Board, Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Chairman Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

### **2. Background information of the 2015 Framework Agreement**

Pursuant to the 2013 Framework Agreement, Tianrui Cement (a wholly-owned subsidiary of the Company) agreed to provide guarantee to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminum-related business) and Tianrui Group Company agreed to provide guarantees to Tianrui Cement (including its subsidiaries), directly by themselves or through their subsidiaries, with respect to each other (inclusive of their subsidiaries) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by them. As the 2013 Framework Agreement will expire on 26 November 2015, Tianrui Cement and Tianrui Group Company entered into the 2015 Framework Agreement on 24 September 2015 for a term from 27 November 2015 to 31 December 2017, pursuant to which Tianrui Cement and Tianrui Group Company have conditionally agreed to continue to provide mutual guarantees, subject to the Revised Annual Caps for the Tianrui Cement Guarantee and the Tianrui Group Guarantee. For avoidance of doubt, any member of the Group will not be considered as subsidiary of Tianrui Group Company for the purpose of the 2015 Framework Agreement.

As at the Latest Practicable Date, the outstanding balance of Tianrui Cement Guarantee was approximately RMB721 million. When the relevant PRC banks grant the loans to Tianrui Group Company, it is understood among all parties that the current Tianrui Cement Guarantee only lasts until 26 November 2015 and is to be renewed only upon the approval of the Independent Shareholders. In the event of termination of Tianrui Cement Guarantee upon expiry on 26 November 2015 as a result of failure to obtain Independent Shareholders' approval, it is expected that Tianrui Group Company shall enter into further negotiation with PRC banks while there will not be any legal obligations or liability on the part of the Group. We concur with the Directors' view that the above arrangement can protect the interest of the Group.

### **3. Reasons and benefits for entering into the 2015 Framework Agreement**

As set out in the letter from the Board, the reason and benefits for entering the 2015 Framework Agreement are as below:

- a. It is common commercial practice for lenders in China to require the provision of guarantees as security for provision of loans to a borrower. In particular, privately-owned companies, such as Tianrui Cement, are often required by the

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## LETTER FROM TC CAPITAL ASIA LIMITED

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PRC banks to provide third-party guarantee before granting a loan. In view of the recent overall domestic economic slowdown, financial institutions in the PRC have implemented tightened risk control measures, which require borrowers to extend or provide additional guarantees before granting the loans. In addition, as discussed with the management of the Company, since the Group has limited operation in Hong Kong, the Group is required to provide a third-party guarantee before obtaining facility from banks or financial institutions in Hong Kong. Also, as the Group conducts daily operation in RMB, banking facility from banks or financial institutions in Hong Kong may create exposure to foreign exchange risk. Given the potentially complexity and foreign exchange risk, we concur with the Company's decision not to obtain facility from banks or financial institutions in Hong Kong.

- b. The historical utilisation of Tianrui Group Guarantee is greater than that of Tianrui Cement Guarantee. As at the Latest Practicable Date, the outstanding balance of Tianrui Cement Guarantee is approximately RMB721 million while the outstanding balance of Tianrui Group Guarantee is approximately RMB2,245 million. During the term of the 2013 Framework Agreement and as at the Latest Practicable Date, there has not been default of any loans guaranteed by either the Tianrui Group Guarantee nor the Tianrui Cement Guarantee.
- c. The Group's business is capital-intensive. While the Group has continuously sought to diversify its external funding sources, domestic PRC bank loans remain a vital source in satisfying the Group's financing needs. Consistent with its business strategy, the Group intends to engage in business acquisitions so as to benefit from the consolidation trend in China's cement industry and ensure the sustainable development of the Group's business in the long term. As a result of the Tianrui Group Guarantee, the Group will not only be able to enhance its ability to obtain bank loans and other borrowings, but it will also have the flexibility to approve and finalize relevant loans and borrowings in a timely manner, which is important to the Group's implementation of its business expansion, particularly in relation to acquisitions.
- d. With respect to the Tianrui Cement Guarantee:
  - (i) Tianrui Cement will have recourse against Tianrui Group Company for Tianrui Cement's potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group Company, Tianrui Group Company shall provide the primary guarantee. Furthermore, Tianrui Group Company, by entering into the 2015 Framework Agreement, has agreed to indemnify Tianrui Cement for any amount payable in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan. We consider that the recourse provides additional protection to the Group without any cost.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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- (ii) Chairman Li also agreed to indemnify Tianrui Cement for any amount that Tianrui Cement would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2015 Framework Agreement.
  - (iii) Tianrui Cement will not provide guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. During the term of the 2013 Framework Agreement and as at the Latest Practicable Date, there has been a continual decrease in demand from aluminum end-customers and the global primary aluminum market has been experiencing excess supply. The issue of excess market supply and overcapacity in the aluminum industry is also very acute in China and the financial and credit status of aluminum enterprises have been materially and adversely affected by the unfavorable industry and market conditions. As such, Tianrui Cement's exposure to the credit risk of Tianrui Group Company under the Tianrui Cement Guarantee will be minimized by carving out Tianrui Group Company's subsidiaries operating in the aluminum-related business.
  - (iv) As at the Latest Practicable Date, Tianrui Group Company confirms that it does not have any repayment default in respect of any loan arrangements with banks. The financial position of Tianrui Group Company is reasonably healthy, certain particulars of which are set out in the section headed "Financial Information of Tianrui Group Company" in the Circular.
- e. In order to secure sufficient funds for the operations of the Group, the management of Tianrui Cement also considered the following measures as alternatives to the Guarantees and the principal reasons for not adopting these measures are set out as follows:

*(i) Guarantees provided by an independent third party*

To compensate for the risk exposure of such guarantor, Tianrui Cement would need to pay a commission calculated based on the annual amount of the guarantee. Since the annual amount of the guarantee as suggested by the proposed annual caps for the Tianrui Cement Guarantee is high, the commission chargeable by the guarantor would be costly for the Group.

*(ii) Guarantees provided by the Company*

The Company is established in the Cayman Islands and the banks of Tianrui Cement are all in China. In practice, the PRC banks do not normally accept the guarantees from a foreign entity. On the other hand, the primary assets that the Company holds are the equity interests in Tianrui Cement. Therefore, from a lender's perspective, the guarantee from the Company will not provide any additional credit for Tianrui Cement to secure its bank facilities.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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*(iii) Individual guarantee relating to each individual loan agreement*

As described in paragraph (c) above, the Group's business is capital-intensive. Such arrangement could limit the flexibility for the Group to approve and execute the relevant loans and borrowings within a short period of time.

We concur with the Directors' view that the risk associated with the Tianrui Cement Guarantee is justified and the greater of the outstanding balance of Tianrui Group Guarantee than that of the Tianrui Cement Guarantee is considered as a benefit for entering into the 2015 Framework Agreement as: (i) the Company's principal consideration for agreeing to provide Tianrui Cement Guarantee for a maximum daily balance of RMB2,500 million has been driven by Tianrui Group Company's agreeing to provide Tianrui Group Guarantee for a maximum daily balance of RMB6,000 million, being RMB3,500 million more than that of Tianrui Cement Guarantee; (ii) there has not been a single event of default of the loans secured by Tianrui Cement Guarantee during the term of the 2013 Framework Agreement; (iii) after evaluating the Group's need for the financing under Tianrui Group Guarantee with a maximum daily outstanding amount of RMB6,000 million as compared to the relatively small risk associated with default under Tianrui Cement Guarantee in light of the additional protection provided by Tianrui Group Company; (iv) it is highly unlikely for any independent third party to provide guarantee for such a relatively high guarantee amount of RMB6,000 million; and (v) based on the market practice as guided by, among others, the Notice of Strengthening Credit Systems of Medium and Small-Sized Enterprises from Development and Reform Commission and Other Departments and approved by the State Council (國務院辦公廳轉發發展改革委等部門關於加強中小企業信用擔保體系建設意見的通知), the market standard guarantee fee is generally equivalent to 50% of the prevailing bank benchmark loan interest rate (subject to fluctuation of 30%–50% based on various factors such as the risks associated with the guarantee and mutual agreement) will be charged before any such guarantee is provided, which adds to the expenses as well as cashflow pressure on the Company.

We concur with the Directors' view that, the entering into the 2015 Framework Agreement will continue to facilitate the operation and growth of the businesses of Tianrui Cement and Tianrui Group Company as both parties can secure sufficient funds for their operations. Therefore we concur with the Directors' view that the entering into of the 2015 Framework Agreement is in the interests of the Company and the Shareholders as a whole.

#### **4. Principal terms of the 2015 Framework Agreement**

The principal terms of the 2015 Framework Agreement have been set out in the Letter from the Board and are summarized below.

*a. Date*

24 September 2015

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## LETTER FROM TC CAPITAL ASIA LIMITED

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*b. Effective Period*

The 2015 Framework Agreement shall be effective for a term (the “**Term**”) from 27 November 2015 to 31 December 2017, subject to all the conditions precedent (including Independent Shareholders’ approval) thereto are fulfilled.

*c. Parties*

Tianrui Cement; and  
Tianrui Group Company

*d. Mutual Guarantee*

Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Cement or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them.

Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them. In the event that the relevant loan, debenture or corporate bond is to be borrowed or issued by any of Tianrui Group Company’s subsidiaries, Tianrui Group Company shall provide the primary guarantee to the lenders in respect to the loan, debenture or corporate bond while Tianrui Cement Guarantee shall only be provided as additional credit support. In addition, with respect to such Tianrui Cement Guarantee, Tianrui Group Company shall enter into an agreement with Tianrui Cement to indemnify Tianrui Cement for any amount payable by Tianrui Cement in accordance with the terms and conditions of the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds.

For avoidance of doubt, any member of the Group will not be considered as subsidiary of Tianrui Group Company for the purpose of the 2015 Framework Agreement.

The provision of the Guarantees by each party under the 2015 Framework Agreement will be subject to the guarantor having fully understood the borrower’s business obligations and financial position, and further in the case of Tianrui Cement Guarantee, the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2015 Framework Agreement. For further details, please refer to the section headed “Risk management measures under the 2015 Framework Agreement” in the Letter from the Board.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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No commission is payable by Tianrui Cement and Tianrui Group Company to each other in connection with any of the Guarantees, which the Directors consider is fair and reasonable to the Company and its shareholders on the basis that, among others, commission in relation to guarantee is normally calculated based on the annual amount of the guarantees. The proposed annual caps of Tianrui Group Guarantee are higher than those of Tianrui Cement Guarantee, and it is also expected that the amount to be utilized under Tianrui Group Guarantee is greater than the amount to be utilized under Tianrui Cement Guarantee; therefore, the commission payable by Tianrui Cement under the Tianrui Group Guarantee would be greater than that by Tianrui Group Company under the Tianrui Cement Guarantee, should any commission to be payable. As such, it would be for the benefits of Tianrui Cement for there not to be any commission payable under the 2015 Framework Agreement.

No security shall be provided over the assets of any member of the Group in relation to any of the Guarantees.

Pursuant to the 2015 Framework Agreement, no obligations under the Tianrui Cement Guarantee and Tianrui Group Guarantee shall be offset against each other.

As the amount to be utilized under Tianrui Group Guarantee is greater than the amount under Tianrui Cement Guarantee as advised by the Directors, we consider the agreement established without commission basis and no security is reasonable and in the interests of the Company and its Shareholders as a whole.

*e. Conditions Precedent*

The Guarantees will be subject to the conditions precedent set out as follows:

- (i) the Company has complied with the requirements provided under the Listing Rules in respect of the transactions contemplated under the 2015 Framework Agreement; and
- (ii) the 2015 Framework Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders in compliance with the Listing Rules.

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**LETTER FROM TC CAPITAL ASIA LIMITED**

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*f. Annual Caps for the Guarantees*

The proposed annual caps (“**Revised Annual Caps**”) provided in the 2015 Framework Agreement are set out as follows:

	<b>Year ending 31 December</b>		
	<b>2015</b>	<b>2016</b>	<b>2017</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Maximum daily balance of Tianrui Cement Guarantee	2,500	2,500	2,500
Maximum daily balance of Tianrui Group Guarantee	<u>6,000</u>	<u>6,000</u>	<u>6,000</u>

The terms under the 2015 Framework Agreement remain materially the same as the 2013 Framework Agreement except for the annual caps amount and calculation method.

As mentioned in the Letter from the Board, the calculation method of the Tianrui Cement Guarantee Annual Caps is revised. The new calculation method is reference to the daily maximum balance while the calculation method under the 2013 Framework Agreement is reference to the aggregate utilization amounts (whether such guarantees have been released or not). We consider that the new calculation method is more precise, especially where multiple guarantees of short-term loans are required and released during any particular calendar year. As the daily maximum balance can provide a cap for maximum liability at any point of time during any particular calendar year, we concur with the Directors’ view that the new calculation method of the Tianrui Cement Guarantee Annual Caps is on normal commercial term, fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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**LETTER FROM TC CAPITAL ASIA LIMITED**

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**5. Capability of Tianrui Group Company**

The following tables set out the selected consolidated financial information of Tianrui Group Company prepared in accordance with PRC generally accepted accounting principles for the two years ended 31 December 2014 and the six months ended 30 June 2015:

	<b>For the six months ended 30 June 2015 RMB'000 (unaudited)</b>	<b>For the year ended 31 December 2014 RMB'000 (audited)</b>	<b>For the year ended 31 December 2013 RMB'000 (audited)</b>
Revenue	4,721,881	10,907,693	10,521,594
Earnings Before Interest & Tax ("EBIT")	910,139	2,217,931	2,490,945
Finance costs	499,767	1,085,519	933,198
Net profit	301,648	918,437	1,165,275
Net cash from operation	753,518	2,351,500	2,665,318
<b>Financial ratios</b>			
Net margin (%)	6.39%	8.42%	11.08%
EBIT margin (%)	19.27%	20.33%	23.67%
Interest coverage (EBIT/finance costs) (times)	1.82	2.04	2.67
	<b>As at 30 June 2015 RMB'000 (unaudited)</b>	<b>As at 31 December 2014 RMB'000 (audited)</b>	<b>As at 31 December 2013 RMB'000 (audited)</b>
Cash and bank balances	3,297,612	2,937,730	2,283,410
Current assets	11,891,916	15,714,969	14,649,620
Non-current assets	43,529,434	38,157,532	35,604,619
Total assets	55,421,350	53,872,501	50,254,239
Current liabilities	12,952,080	18,333,014	17,829,917
Net current liabilities	1,060,164	2,618,045	3,180,297
Non-current liabilities	19,170,666	12,542,897	10,312,643
Total liabilities	32,122,746	30,875,911	28,142,560
Net assets	23,298,604	22,996,590	22,111,679
<b>Financial ratios</b>			
Current ratio (times)	0.92	0.86	0.82
Total liabilities to total equity (%)	137.87%	134.26%	127.27%

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## LETTER FROM TC CAPITAL ASIA LIMITED

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As shown in the above tables, net margin, EBIT margin and interest coverage of Tianrui Group Company decreased slightly to approximately 6.39%, 19.27% and 1.82 for the six months ended 30 June 2015 from approximately 8.42%, 20.33% and 2.04 for the year ended 31 December 2014. Tianrui Group Company's debt to equity ratio as at 30 June 2015 was approximately 137.87% and current ratio was approximately 0.92. Tianrui Group Company recorded cash and bank balances of approximately RMB3,297.61 million, RMB2,937.73 million and RMB2,283.41 million as at 30 June 2015, 31 December 2014 and 31 December 2013 respectively.

According to 跟蹤評級公告 (Rating tracking report) dated 27 July 2015 issued by Dagong Global Credit Rating Co., Ltd., a credit rating agency recognized by Peoples' Bank of China, Tianrui Group Company is rated AA, with a stable outlook. Tianrui Group Company confirmed that it did not have any repayment default in respect of any loan arrangements with banks as at the Latest Practicable Date.

In August 2015, the All-China Federation of Industry & Commerce (中華全國工商業聯合會), a unit of the National Committee of the Chinese People's Political Consultative Conference, published the list of yearly top 500 private enterprises in the PRC in which Tianrui Group Company ranked 105th in 2015, up from 112nd in 2014.

In view of the credit ranking and repayment history of Tianrui Group Company and the rise in 2015 ranking of Tianrui Group Company by All-China Federation of Industry & Commerce (中華全國工商業聯合會), we concur with the Directors that Tianrui Group Company will be capable to settle the liabilities arising from the loans obtained from the lenders under the Tianrui Cement Guarantee, in case the loans are guaranteed by Tianrui Cement (if any), although net margin, EBIT margin and interest coverage of Tianrui Group Company decreased slightly and total liabilities to total equity of Tianrui Group Company increased slightly for the six months ended 30 June 2015.

### **6. Basis for the Tianrui Cement Guarantee Annual Caps**

The annual caps for Tianrui Cement Guarantee were determined by the Board after taking into consideration the following factors:

- a. funding needs of the Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for current borrowings of approximately RMB721 million secured by Tianrui Cement Guarantee as at the Latest Practicable Date; and
- b. increase in future capital requirements of Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business). As advised by the management of Tianrui Group Company, it is expected that approximately RMB1,800 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, energy and other business.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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The Directors advised that, as informed by Tianrui Group Company, it is expected that, during the Term, part of the funding are used for refinancing the existing borrowings with an aggregate amount of approximately RMB721 million of Tianrui Group Company secured by Tianrui Cement Guarantee.

The Directors advised that, as informed by Tianrui Group Company, it will maintain a moderate expansion in 2016 and 2017. Tianrui Group Company intends to spend approximately RMB1,000 million in fixed assets investment in its tourism business, approximately RMB500 million in fixed assets investment in its energy business and approximately RMB300 million in fixed assets investment in other business.

In light of the above, we are of the view that the Tianrui Cement Guarantee Annual Caps are determined based on reasonable estimation and after due and careful consideration and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

### **7. Financial effects**

The provision of guarantee amount by the Group would not have any direct and immediate impact on the Group's liquidity position but the Company will recognize an expense at fair value of the guarantee through amortization over the term of the guarantee when such guarantee is actually provided.

According to the 2015 Interim Report, the Group had unaudited consolidated net assets of approximately RMB7,139.87 million as at 30 June 2015 and, accordingly, the Tianrui Cement Guarantee Annual Caps represents approximately 35.01% of the audited consolidated net asset value of the Group as at 30 June 2015. Having considered the financial position of Tianrui Group Company, we concur with the Directors that the Tianrui Cement Guarantee is not likely to have substantial impact on the financial position of the Group. A special committee may consider the fair value of the relevant Tianrui Cement Guarantee and the impact the fair value may have on the Group's financial statements before it is approved. Details of the special committee are discussed in the paragraph headed "Risk management measures under the 2015 Framework Agreement" in the Letter from the Board.

### **8. Counter guarantee**

On 24 September 2015, Chairman Li, the ultimate controlling shareholder of Tianrui Cement, entered into the 2015 Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement by means of the Counter Guarantee for any amount payable by Tianrui Cement or its subsidiaries in connection with the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bonds, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds. As stated in Letter from the Board, the Counter Guarantee is only one of protection measures that the Company has taken into account when assessing the feasibility of entering into the 2015 Framework Agreement.

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## LETTER FROM TC CAPITAL ASIA LIMITED

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According to 2015 福布斯全球億萬富豪榜(大陸地區上榜名單) (2015 Forbes The World's Billionaires List (The PRC region)) published by Forbes, Chairman Li and his family ranked No. 894 with a net asset value of US\$2,100 million. According to the official website of Forbes China (<http://www.forbeschina.com>), Forbes is a worldwide leading publishing and media group established in 1917. It has over 5 million high-level business readers worldwide. We have not assessed the reliability of net asset value of US\$2,100 million of Chairman Li as mentioned in the 2015 Forbes World's Billionaires List (the PRC region). As mentioned in Appendix II to the Circular, Chairman Li indirectly held interests in various companies, which is considered as having competing business with the Group. Market value of the shares of those listed companies (being the Company, China Shanshui Cement Group Limited (691. HK) and Henan Tongli Cement Co., Ltd (000885)) held by Chairman Li and his son of approximately HK\$6,643.31 million as at the Latest Practicable Date. Please note that the above figure does not represent the whole asset of Chairman Li. Having considered (i) the aforesaid ranking of Chairman Li published by a reputable publishing and media group; and (ii) market value of the shares of the aforesaid listed companies held by Chairman Li and his son was approximately HK\$6,643.31 million as at the Latest Practicable Date, which is above daily maximum balance of the Tianrui Cement Guarantee of RMB2,500 million. We consider that Chairman Li is able to provide the Counter Guarantee which offers extra protection to the Group and minimizes the risk that the Group would expose in the Tianrui Cement Guarantee.

We concur with the Directors' view that the Counter Guarantee is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee.

### RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view the terms of the Tianrui Cement Guarantee under the 2015 Framework Agreement and the Tianrui Cement Guarantee Annual Caps are fair and reasonable, on normal commercial terms and in the interest of the Company and the Shareholders but not in the ordinary and usual course of business. We would recommend (i) the Independent Board Committee to advise the Independent Shareholders; and (ii) the Independent Shareholders, to vote in favor of the ordinary resolutions in this regard.

Yours faithfully,  
For and on behalf of  
**TC Capital Asia Limited**  
**Edward Wu**  
*Managing Director*

*Note:* Mr. Edward Wu of TC Capital Asia Limited is a responsible officer licensed under the SFO to engage in Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities having over 14 years of experience in investment banking and corporate finance.

## 1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

The Company is required to set out in this Circular the information for the last three financial years with respect to the profits and losses, financial record and position, set out as a comparative table and the latest published audited balance sheet together with the notes on the annual accounts for the last financial year for the Group.

The audited consolidated financial statements of the Company for the years ended 31 December 2012, 2013 and 2014 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 2012, 2013 and 2014. Please see below the hyperlinks to the said annual reports:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429369.pdf>  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2014/0425/LTN201404251671.pdf>  
<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0325/LTN20130325023.pdf>

## 2. STATEMENT OF INDEBTEDNESS

As at the close of business of 31 August 2015, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group has outstanding borrowings and indebtedness of approximately RMB13,433 million comprising bank loans of RMB4,747 million (bank loans include secured bank loans of approximately RMB2,359 million, which are secured by assets of the Group and shares of the Group's subsidiary; and unsecured bank loans of approximately RMB2,388 million, of which guaranteed bank borrowings are of approximately RMB3,482 million, unguaranteed bank loans are approximately RMB1,265 million), issued and outstanding short-term notes of approximately RMB3,289 million, medium-term bills are of approximately RMB3,247 million, long-term corporate debts are of approximately RMB2,058 million, obligations under finance leases of approximately RMB84 million and obligations under financial guarantee contract of approximately RMB8 million. The annual caps for the guaranteed amount for the second 12 months period provided by the Group to Tianrui Group and its subsidiaries was RMB3,000 million. As at 31 August 2015, bank borrowings of approximately RMB721 million are secured by the guarantee provided by Group for Tianrui Group.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 31 August 2015.

## 3. WORKING CAPITAL

Taking into account the financial resources of the Group, the Directors are of the opinion that the Group has sufficient working capital for its present requirement, that is, for at least the next 12 months from the date of this circular.

## 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 Securities and Futures Ordinance (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 of Hong Kong Limited (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 Rules Governing the Listing of Securities on the Stock Exchange (the “Listing Rules”), were as follows:

Name of Director	Capacity/Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li Liufa <sup>(1)</sup>	Interest of corporation controlled by the director/ Long position	950,000,000	39.57

- (1) Yu Kuo Company Limited (“Yu Kuo”) is owned as to 51.25% and 48.75% by Holy Eagle Company Limited (“Holy Eagle”) and Yu Qi Company Limited (“Yu Qi”) respectively. Each of Holy Eagle and Yu Qi is wholly owned by Tianrui (International) Holding Company Limited (“Tianrui International”) which is in turn wholly owned by Tianrui Group Company Limited (“Tianrui Group”). Tianrui Group is owned as to 70% and 30% by Mr. Li Liufa and Ms. Li Fengluan (spouse of Mr. Li Liufa) respectively. Mr. Li Liufa is deemed to be interested in the Shares owned by Yu Kuo.

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.

### Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at Latest Practicable Date, to the best knowledge of the Directors and the senior management of the Company, the followings are the persons, who had interests or short positions in the Shares and underlying Shares as recorded in the register of interests required to be kept by the Company pursuant to Section 336 of Part XV of the SFO:

Name	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position <sup>(1)</sup>	950,000,000	39.57
Tianrui Group Company	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	950,000,000	39.57
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	950,000,000	39.57
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	950,000,000	39.57
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	950,000,000	39.57
Mr. Li Liufa	Interest of corporation controlled by the director/ Long position <sup>(1)</sup>	950,000,000	39.57

Name	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	950,000,000	39.57
Central Huijin Investment Ltd.	Person having a security interest in shares/Long position	882,120,050	36.74
China Everbright Group Ltd.	Person having a security interest in shares/Long position	882,120,050	36.74
China Everbright Holdings Company Limited	Person having a security interest in shares/Long position	882,120,050	36.74
China Everbright Limited	Person having a security interest in shares/Long position	882,120,050	36.74
Wan Qi Company Limited (“Wan Qi”)	Beneficial owner/Long position <sup>(2)</sup>	689,400,000	28.71
	Short position	30,612,245	1.28
Mr. Tang Ming Chien	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(2)</sup>	689,400,000	28.71
	Short position	30,612,245	1.28
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	9.90

Name	Capacity/Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yue Xiu Investment Fund Series Segregated Portfolio Company	Beneficial owner/Long position <sup>(3)</sup>	123,000,000	5.12
Yue Xiu Asset Management Limited	Investment manager/Long position <sup>(3)</sup>	123,000,000	5.12

- (1) Yu Kuo is owned as to 51.25% and 48.75% by Holy Eagle and Yu Qi respectively. Each of Holy Eagle and Yu Qi is wholly owned by Tianrui International which is in turn wholly owned by Tianrui Group. Tianrui Group is owned as to 70% and 30% by Mr. Li Liufa and Ms. Li Fengluan (spouse of Mr. Li Liufa) respectively. Each of Mr. Li Liufa, Ms. Li Fengluan, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi is deemed to be interested in the Shares owned by Yu Kuo.
- (2) The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang Ming Chien. Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.
- (3) Yue Xiu Asset Management Limited, being the investment manager of Yue Xiu Investment Fund Series Segregated Portfolio Company, is deemed to be interested in the Shares held by Yue Xiu Investment Fund Series Segregated Portfolio Company.

Saved as disclosed above, as at Latest Practicable Date, no other person has any interest or short position which shall be recorded in the register of interests required to be kept by the Company pursuant to Section 336 of the SFO.

### 3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any 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 Mrs. Li (Chairman Li’s

spouse)) 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 i, 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 of Hong Kong Limited) representing approximately 28.16% 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 the 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.

## **(3) Tongli Cement**

As of the Latest Practicable Date, Tianrui Group Company Limited (天瑞集團股份有限公司) which is owned as to 70% by Chairman Li has acquired a total of 71,365,588 shares ("**Tongli Shares**") of Henan Tongli Cement Co., Ltd. (000885) ("**Tongli Cement**", a company which is listed on the Shenzhen Stock Exchange), representing approximately 15.03% equity interests of Tongli Cement as at the Latest Practicable Date. Tongli Cement is engaged in, among others, the manufacture and sale of cement in China.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Tongli Cement. The Company has an option to acquire the shares in Tongli Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the recent financial performance of Tongli Cement.

## **(4) Xindeng Cement**

As of the Latest Practicable Date, Tianrui Group Company (owned as to 70% by Chairman Li) owns 49% equity interests in Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司) (formerly known as Guotou Xindeng

Zhengzhou Cement Company Limited (國投新登鄭州水泥有限公司) (“**Xindeng Cement**”), which is principally engaged in, among others, manufacture and sale of cement in Zhengzhou City of Henan Province, PRC.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Xindeng Cement. The Company has an option to acquire the shares in Xindeng Cement pursuant to the Non-competition Deed, but has decided not to exercise the said option at this stage after considering, among others, the fact that the management of Xindeng Cement is controlled by the majority shareholder which owns 51% equity interests in Xindeng Cement while Tianrui Group only owns 49% equity interests in Xindeng Cement.

#### (5) Yongan Cement

On 9 September 2015, the Company entered into the Acquisition Agreement with Tianrui Group Company with respect to the proposed acquisition of 100% equity interest in Henan Yongan Cement Company Limited (河南永安水泥有限責任公司) (“**Yongan Cement**”) which is principally engaged in manufacture and sale of cement in Gongyi City, Henan province, the details of which is set out in the announcement of the Company dated 9 September 2015.

As at the Latest Practicable Date, the Directors held the view that the Group is financially and operationally independent from Yongan Cement. The Company has an option to acquire the shares in Yongan Cement pursuant to the Non-competition Deed, and has decided to exercise the said option, the reasoning for exercising the option and details are set out in the announcement of the Company dated 9 September 2015.

#### 4. MATERIAL CHANGE

As at the Latest Practicable Date, save as disclosed below, the Directors confirm that there is no material change in the financial or trading position or outlook of the Group subsequent to 31 December 2014, the date to which the latest published audited consolidated financial statements of the Group were made up:

- (i) as disclosed in the 2015 interim results of the Company prepared in accordance with the IFRS, the Group records the decrease in unaudited revenue and unaudited profit for the six months ended 30 June 2015 of approximately 19% and 28% as compared to the corresponding period in 2014 respectively; and
- (ii) the Group’s entering into the Definitive JV Memorandum, the Acquisition Agreement, the 2015 Framework Agreement and the 2015 Counter Guarantee Agreement since 31 December 2014 up to and including the Latest Practicable Date, and the details of which are set out in the section of “11. Material Contracts” in this appendix.

## 5. FINANCIAL AND TRADING PROSPECTS

In the first half of 2015, the Chinese government largely achieved its economic development target set at the beginning of the year through a series of austerity measures. On the other hand, we should realize that the overall economic development is exposed to significant downward pressure. We therefore believe that the Chinese government is likely to implement more stimulative policies in 2015 to maintain adequate economic growth. The proposal and implementation of the three strategies — “One Belt, One Road”, synergistic development among Beijing, Tianjin and Hebei and Yangtze River Economic Belt — will definitely usher in infrastructure projects and an increase in investment. These will effectively offset the downward pressure posed on cement demand and facilitate a smooth transition in such demand against the backdrop of low growth rates in the property and manufacturing sectors.

The Group is one of the 12 national key cement enterprises recognized by the Chinese government and one of the five cement enterprises designated by the Ministry of Industry and Information Technology. The Group is encouraged to undertake mergers and consolidation of the cement market in central China. To encourage the consolidation of the cement industry, the Chinese government provides designated enterprises with supports such as tax incentives and special projects or financing approvals. Given the lower cement demand and intensifying competition, we will, leveraging our edges and favorable policies, seize opportunities and continue to consolidate our leading position in Henan and Liaoning through organic growth and selective acquisitions.

Furthermore, we will further expand centralized procurement of supplies, strengthen delicacy management and enhance production utilization rate to further reduce unit production cost and maintain our leading position in other markets. We believe that the maintenance and improvement of such cost advantages will enable the Group to enjoy healthier profitability in Henan and Liaoning cement markets than that of our major competitors. To widen our market coverage, we shall also make strategic acquisitions as and when appropriate.

## 6. LITIGATION

As at the Latest Practicable Date, none of the Company or any of its subsidiaries has received notice of any litigation or arbitration proceedings pending or threatened against the Company or any of the subsidiaries of the Company.

## 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 2014 (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, except for (i) the proposed acquisition of 100% equity interest in Yongan Cement from Tianrui Group Company at a total consideration of RMB842,016,891 which is to be satisfied by issue and allotment of 520,245,000 shares by the Company, the details of which is set out in the announcement of the Company dated 9 September 2015; and (2) entering into the Definite JV Memorandum between Tianrui Cement and JV Partners (Tianrui Group Company and two of its subsidiaries), pursuant to which the total capital commitment of Tianrui Cement is RMB105,000,000 while the total capital commitment of the JV Partners is RMB185,000,000, the details of which is set out in the announcement of the Company dated 23 August 2015.

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 framework agreement disclosed in the circular dated 8 November 2013 (“**2013 Framework Agreement**”), (ii) the counter guarantee agreement disclosed in the circular dated 8 November 2013 (“**2013 Counter Guarantee Agreement**”), (iii) the clinker supply framework agreement dated 25 March 2014 (“**Clinker Supply Framework Agreement**”), (iv) the limestone supply framework agreement dated 25 March 2014 as disclosed in the announcement dated 25 March 2014 (“**Limestone Supply Framework Agreement**”), (v) the definite JV memorandum dated 21 August 2015 (“**Definite JV Memorandum**”) as disclosed in the announcement dated 23 August 2015, (vi) the acquisition agreement dated 9 September 2015 as disclosed in the announcement of the Company dated 9 September 2015 (“**Acquisition Agreement**”), (vii) the framework agreement disclosed in the announcement dated 24 September 2015 (“**2015 Framework Agreement**”), and (viii) the counter guarantee agreement disclosed in the announcement dated 24 September 2015 (“**2015 Counter Guarantee Agreement**”), the salient nature of which are as follows:

- (i) On 30 October 2013, Tianrui Cement and Tianrui Group entered into the 2013 Framework Agreement for a term of 24 months from the date on which all the conditions precedent thereto are fulfilled (i.e. 27 November 2013). Pursuant to the Framework Agreement, Tianrui Group, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Cement or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them (“**Tianrui Group Guarantee**”). According to the same agreement, Tianrui Cement has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Group or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them (“**Tianrui Cement Guarantee**”). The annual caps for the Tianrui Cement Guarantee is RMB2,200 million and RMB3,000 million for the first 12 months

and the second 12 months of the Term respectively. The annual caps for the Tianrui Group Guarantee is RMB5,200 million and RMB6,000 million for the first 12 months and the second 12 months of the Term respectively.

- (ii) On 30 October 2013, Tianrui Cement and Chairman Li entered into the 2013 Counter Guarantee Agreement for the same term as the 2013 Framework Agreement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2013 Framework Agreement.
- (iii) On 25 March 2014, Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) entered into the Clinker Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which 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, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Tianrui Cement (and/or its subsidiaries) to Ruiping Shilong (and/or its subsidiaries) for purchase of clinker for the three years ending 31 December 2016 shall not exceed RMB360,000,000, RMB480,000,000 and RMB480,000,000 respectively.
- (iv) On 25 March 2014, Ruiping Shilong (as purchaser) and Tianrui Cement (as supplier) entered into the Limestone Supply Framework Agreement for a term commencing from 25 March 2014 to 31 December 2016, which 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, with terms no less favorable than those available from independent third parties. The maximum aggregate annual amount payable by Ruiping Shilong (and/or its subsidiaries) to Tianrui Cement (and/or its subsidiaries) for purchase of limestone for the three years ending 31 December 2016 will not exceed RMB60,000,000, RMB60,000,000 and RMB60,000,000 respectively.
- (v) On 21 August 2015, Tianrui Cement (a wholly-owned subsidiary of the Company) and the JV Partners (Tianrui Group Company and its two subsidiaries being Tianrui Travel and Tianrui Foundry) have, at the date of this announcement, entered into the Definitive JV Memorandum with respect to the contribution commitment to and the operation of JV Finance Company whose principal business activity is to integrate internal and external financial resources, strengthen risk control, aggregate idle funds, decrease financing cost, accelerate turnover of capital to increase capital usage efficiency, effectively bring into play the existing financial and capital economies of scale of the Company and Tianrui Group Company so as to cater for the financing needs of the Company and

Tianrui Group Company. The contribution commitment of the JV Partners and Tianrui Cement to the JV Finance Company are RMB195,000,000 and RMB105,000,000 respectively, and the equity interest owned by the JV Partners and Tianrui Cement in the JV Finance Company amounted to 65% and 35% respectively. For further details, please refer to the announcement of the Company dated 23 August 2015.

- (vi) On 9 September 2015, the Company and Tianrui Group Company entered into the Acquisition Agreement with respect to the Company's proposed acquisition of 100% equity interest in Yongan Cement from Tianrui Group Company at a total consideration of RMB842,016,891 which is to be satisfied by issue and allotment of 520,245,000 shares by the Company.
- (vii) On 24 September 2015, Tianrui Group Company and Tianrui Cement entered into the 2015 Framework Agreement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other subject to the Revised Annual Caps for the Tianrui Cement Guarantee and the Tianrui Group Guarantee.
- (viii) On 24 September 2015, Chairman Li and Tianrui Cement entered into the 2015 Counter Guarantee Agreement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2015 Framework Agreement.

## 9. QUALIFICATION AND CONSENT OF EXPERT

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

Name	Qualification
TC Capital Asia 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, TC Capital Asia 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, TC Capital Asia 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 2014 (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) 2013 Framework Agreement, being the framework agreement dated 30 October 2013, entered into between Tianrui Group Company and Tianrui Cement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other, the details of which is set out in the circular of the Company dated 30 October 2013
- (b) 2013 Counter Guarantee Agreement, being the counter guarantee agreement dated 30 October 2013, entered into between Chairman Li and Tianrui Cement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2013 Framework Agreement, the details of which is set out in the circular of the Company dated 30 October 2013
- (c) the Clinker Supply Framework Agreement, being the clinker supply framework agreement dated 25 March 2014 entered into between Tianrui Cement (an indirect wholly-owned subsidiary of the Company) and Ruiping Shilong, pursuant to which Tianrui Cement has conditionally agreed to purchase clinker from Ruiping Shilong subject to the terms and condition therein, the details of which is set out in the circular of the Company dated 25 April 2014
- (d) the Limestone Supply Framework Agreement, being the limestone supply framework agreement dated 25 March 2014 entered into between Tianrui Cement (an indirect wholly-owned subsidiary of the Company) and Ruiping Shilong, pursuant to which Tianrui Cement has conditionally agreed to sell limestone to Ruiping Shilong subject to the terms and conditions therein the details of which is set out in the circular of the Company dated 25 April 2014
- (e) the Amended Non-competition Deed entered into by the Controlling Shareholders in favour of the Company on 16 October 2014, the details of which are set out in the circular of the Company dated 31 October 2014
- (f) the Definitive JV Memorandum entered into between Tianrui Cement and JV Partners (being Tianrui Group Company, Tianrui Foundry and Tianrui Travel) on 21 August 2015 with respect to the contribution commitment to and the operation of the JV Finance Company, the details of which is set out in the announcement of the Company dated 23 August 2015

- (g) the Acquisition Agreement entered into between the Company and Tianrui Group Company on 9 September 2015 with respect to the Company's proposed acquisition of 100% equity interest in Yongan Cement from Tianrui Group Company, the details of which is set out in the announcement of the Company dated 9 September 2015
- (h) 2015 Framework Agreement, being the framework agreement dated 24 September 2015, entered into between Tianrui Group Company and Tianrui Cement, pursuant to which the parties thereto have agreed to provide certain guarantees to each other, the details of which is set out in the Letter from the Board in this circular
- (i) 2015 Counter Guarantee Agreement, being the counter guarantee agreement dated 24 September 2015, entered into between Chairman Li and Tianrui Cement, pursuant to which Chairman Li agreed to provide certain guarantee and indemnity with respect to Tianrui Cement's obligations under the 2015 Framework Agreement, the details of which is set out in the Letter from the Board in this circular

## **12. MISCELLANEOUS**

- (a) The joint company secretaries of the Company are Mr. Yu Chunliang, Ms. Kwong Yin Ping Yvonne and Mr. Li Jiangming. Ms. Kwong Yin Ping Yvonne is a Fellow of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (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 Wilson Sonsini Goodrich & Rosati, Suite 1509, 15th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong during normal business hours from 9 am to 6 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 prospectus of the Company dated 14 December 2011 and the annual reports of the Company for the three years ended 31 December 2012, 2013 and 2014 and the interim report of the Company for the six months ended 30 June 2015;
- (c) the material contracts referred to in the paragraph above headed “Material Contracts” in this Appendix;
- (d) 2013 Framework Agreement
- (e) 2013 Counter Guarantee Agreement;
- (f) 2015 Framework Agreement
- (g) 2015 Counter Guarantee Agreement;
- (h) letter from the Independent Board Committee, the text of which is set out in this circular;
- (i) the letter from TC Capital Asia Limited, the text of which is set out in this circular; and
- (j) the written consent of TC Capital Asia Limited referred to in the paragraph headed “Qualification and Consent of Expert” above.

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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 10 am on 20 November 2015 at 11th Floor, Hailian Building, Shang Wu Wai Huan Road No. 20, Zheng Dong Xin District, Zhengzhou City, Henan Province, PRC for the purpose of considering and, if thought fit, passing the following resolution:

### **ORDINARY RESOLUTION**

**“THAT**

- (i) the form and substance of the 2015 Framework Agreement dated 24 September 2015 (a copy of which is tabled at the EGM and signed by the chairman of the meeting for identification purpose) entered into between Tianrui Group Company Limited (天瑞集團股份有限公司) (“**Tianrui Group Company**”) and Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“**Tianrui Cement**”) (the “**2015 Framework Agreement**”) pursuant to which the parties thereto have agreed to grant guarantees to each other and the transactions contemplated under it be and are hereby approved, confirmed and ratified; and
- (ii) 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 2015 Framework Agreement and the 2015 Counter Guarantee Agreement and the transactions contemplated thereunder or incidental to the 2015 Framework Agreement 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*

Hong Kong, 30 October 2015

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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*Notes:*

- (a) The register of members of the Company will be closed from Wednesday, 18 November 2015 to Friday, 20 November 2015 (both dates inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for attending the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's share registrar, Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong no later than 4:30 p.m. on Tuesday, 17 November 2015.
- (b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.
- (c) In the case of joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the EGM, in person or by proxy, the vote of the joint holder whose name stands first in the register of members and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).
- (d) Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the EGM if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

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

***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