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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 2017 FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF MUTUAL GUARANTEES

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on page 5 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 International Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 24 to 39 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 2:30 p.m. on 8 August 2017 at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong is set out on pages 56 to 57 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). Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 48 hours before the time designated for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

19 July 2017

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DEFINITIONS

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
“2016 Annual Report”	the annual report of the Company for the year ended 31 December 2016
“2017 Counter Guarantee Agreement”	the agreement dated 11 May 2017 entered into between the Company and Chairman Li, pursuant to which Chairman Li has agreed to indemnify the Company for any amount that becomes payable by the Company or its subsidiaries in relation to the Company Guarantee
“2017 Framework Agreement”	the agreement dated 11 May 2017, entered into between Tianrui Group Company, Tianrui Cement and the Company, pursuant to which the parties thereto have agreed to provide certain guarantees to each other
“Annual Caps”	the annual caps for Company Guarantee and Tianrui Group Guarantee pursuant to the 2017 Framework Agreement
“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

DEFINITIONS

“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
“Company Guarantee”	the guarantee provided by the Company to Tianrui Group Company (excluding its subsidiaries engaged in aluminum-related business) pursuant to the 2017 Framework Agreement
“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
“Counter Guarantee”	the counter guarantee provided by Chairman Li pursuant to the Counter Guarantee Agreement
“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 2017 Framework Agreement and the Annual Caps
“Group”	the Company and its subsidiaries
“Guarantees”	the Tianrui Group Guarantee and the Company 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 International Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“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”	14 July 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“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 and for the purpose of this circular, does not include Hong Kong, Macau Special Administrative Region and Taiwan
“PRC GAAP”	PRC generally accepted accounting principles as effective from time to time
“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
“Share(s)”	ordinary shares of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“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

DEFINITIONS

“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
“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, and/or to the Company (including its subsidiaries) pursuant to the 2017 Framework Agreement
“Xindeng Cement”	Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司), a company established in the PRC with limited liability is an indirect non wholly-owned subsidiary of the Company
“Yongan Cement”	Henan Yongan Cement Company Limited (河南永安水泥有限責任公司), a company established in the PRC with limited liability is an indirect wholly-owned subsidiary of the Company
“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 50.62% 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
“%”	per cent

LETTER FROM THE BOARD



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. Xu Wuxue

Mr. Li Jiangming

Mr. Ding Jifeng

Non-executive Directors

Mr. Li Heping

Mr. Yang Yongzheng

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

19 July 2017

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION
MAJOR TRANSACTION
2017 FRAMEWORK AGREEMENT IN RELATION
TO PROVISION OF MUTUAL GUARANTEES

INTRODUCTION

Reference is made to the Company's announcement dated 11 May 2017 in relation to the major and continuing connected transactions contemplated under the 2017 Framework Agreement.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Company Guarantee contemplated under the 2017 Framework Agreement constitutes continuing connected transactions for the Company subject to the reporting, announcement and Independent Shareholders' approval requirements.

The purpose of this circular is to set out, among other things, (i) the details of the 2017 Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from TC Capital International Limited to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

MAJOR TERMS OF THE 2017 FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

I. Major Terms of the 2017 Framework Agreement

1. Date

11 May 2017

2. Effective Period

The 2017 Framework Agreement shall be effective for a term ("**Term**") from 11 May 2017 to 31 December 2019, subject to all the conditions precedent (including Independent Shareholders' approval) thereto being fulfilled. The 2015 Framework Agreement shall be terminated when the 2017 Framework Agreement shall become effective.

3. Parties

- (a) The Company;
- (b) Tianrui Cement; and
- (c) Tianrui Group Company

4. Mutual Guarantee

(a) Tianrui Group Guarantee

Pursuant to the 2017 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.

LETTER FROM THE BOARD

(b) Company Guarantee

Pursuant to the same 2017 Framework Agreement, the Company 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 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 the Company Guarantee shall only be provided as additional credit support. In addition, with respect to such Company Guarantee, Tianrui Group Company undertakes to indemnify the Company for any amount payable by the Company in accordance with the terms and conditions of the Company 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 the avoidance of doubt, none of the members of the Group will be considered to be as subsidiary of Tianrui Group Company for the purpose of the 2017 Framework Agreement.

The provision of the Guarantees by each party under the 2017 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 Company Guarantee, the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2017 Framework Agreement. For further details, please refer to the section headed "Risk Management Measures under the 2017 Framework Agreement".

No commission is payable by the Company 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 Company 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 Company Guarantee; therefore, the commission payable by the Company under the Tianrui Group Guarantee would be greater than that by Tianrui Group Company under the Company Guarantee, should any commission be payable. As such, it would be for the benefit of the Company for there not to be any commission payable under the 2017 Framework Agreement.

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

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Pursuant to the 2017 Framework Agreement, no obligations under the Company Guarantee and Tianrui Group Guarantee shall be offset against each other.

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 2017 Framework Agreement; and
- (ii) the 2017 Framework Agreement and the transactions contemplated thereunder have been approved by the Independent Shareholders at the EGM in compliance with the Listing Rules.

6. *Proposed Annual Caps for the Guarantees*

The proposed Annual Caps provided in the 2017 Framework Agreement are set out as follows:

	Year ending 31 December		
	2017	2018	2019
	RMB (million)	RMB (million)	RMB (million)
Maximum daily balance of the Company Guarantee	3,000	3,000	3,000
Maximum daily balance of Tianrui Group Guarantee	7,000	7,000	7,000

The proposed Annual Caps for Company 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 RMB1,542.0 million secured by Company 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 RMB1,458.0 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, energy and other businesses.

LETTER FROM THE BOARD

The proposed Annual Caps for Tianrui Group Guarantee were determined by the Board after taking into consideration the following factors:

- (a) funding needs of the Group in respect of current borrowings of approximately RMB4,535.7 million which has been secured by Tianrui Group Guarantee as of the Latest Practicable Date; and
- (b) the Group's possible needs for approximately RMB2,464.3 million to finance fixed assets investments, business acquisition, production improvement, by-product expansion and general working capital during the Term.

All the terms of the 2017 Framework Agreement remains materially the same as the 2013 Framework Agreement and 2015 Framework Agreement, except for (i) the role of Tianrui Cement is replaced by the Company in the 2017 Framework Agreement that the scope of guarantor and guaranteed entities is extended to include the Company and its subsidiaries outside PRC, and (ii) the annual caps amount and calculation:

	Annual caps under 2013 Framework Agreement	Annual caps under 2015 Framework Agreement	Annual Caps under 2017 Framework Agreement
Tianrui Cement Guarantee	<ul style="list-style-type: none"> • Aggregate amount of RMB2,200 million for the first 12-month period • Aggregate amount of RMB3,000 million for the second 12-month period 	Maximum daily balance not exceeding RMB2,500 million during the term from 27 November 2015 to 31 December 2017	—
Company Guarantee	—	—	Maximum daily balance not exceeding RMB3,000 million during the term from 11 May 2017 to 31 December 2019
Tianrui Group Guarantee	<ul style="list-style-type: none"> • Aggregate amount of RMB5,200 million for the first 12-month period • Aggregate amount of RMB6,000 million for the second 12-month period 	Maximum daily balance of RMB6,000 million during the term from 27 November 2015 to 31 December 2017	Maximum daily balance of RMB7,000 million during the term from 11 May 2017 to 31 December 2019

LETTER FROM THE BOARD

The Board considered that the calculation of the annual caps under the 2015 Framework Agreement and the 2017 Framework Agreement by reference to the daily maximum balance, as compared to the calculation of the annual caps under the 2013 Framework Agreement 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 11 May 2017, Chairman Li, entered into the 2017 Counter Guarantee Agreement with the Company, pursuant to which Chairman Li agreed to indemnify the Company by means of the Counter Guarantee for any amount payable by the Company or its subsidiaries in connection with the Company 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. Chairman Li does not charge any fees in relation to the Company Guarantee.

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 2017 Framework Agreement is identical in nature as Chairman Li's counter guarantee arrangement for the 2015 Framework Agreement and the 2013 Framework Agreement.

REASONS FOR AND BENEFITS OF THE 2017 FRAMEWORK AGREEMENT

The 2017 Framework Agreement was entered into by the Company 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 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 loans.
- (b) The historical utilization of the Tianrui Group Guarantee is greater than that of the Tianrui Cement Guarantee. As at the Latest Practicable Date, the outstanding balance of the Tianrui Cement Guarantee for the year ended 2017 is approximately RMB1,542.0 million while the Tianrui Group Guarantee for the year ended 2017 is approximately RMB4,535.7 million. During the terms of the

LETTER FROM THE BOARD

2013 Framework Agreement and 2015 Framework Agreement and as at the Latest Practicable Date, there has not been default of any loans guaranteed by either the Tianrui Group Guarantee or the Tianrui Cement Guarantee. Since the 2015 Framework Agreement became effective on 20 November 2015, the historical annual aggregate utilization amounts for the years ended 31 December 2015 and 31 December 2016, whether such guarantee have been released or not, are as follows:

	For the year ended on 31 December	
	2015	2016
	<i>(RMB thousand)</i>	<i>(RMB thousand)</i>
Tianrui Cement Guarantee	1,472,000	1,542,000
Tianrui Group Guarantee	2,000,000	4,535,684

- (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 continue to engage in fixed assets investments, business acquisitions, production improvement and by-product expansion 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 and performance improvement.
- (d) With respect to the Company Guarantee:
- (i) the Company will have recourse against Tianrui Group Company for the Company'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, whereas the Company is being provided for additional credit support. Furthermore, Tianrui Group Company, by entering into the 2017 Framework Agreement, has agreed to indemnify the Company 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 the Company for any amount that the Company would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2017 Framework Agreement;

LETTER FROM THE BOARD

- (iii) the Company will not provide a guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. Since the relevant period of the 2015 Framework Agreement and as at the Latest Practicable Date, there has been a rebound in aluminum market, but the balance between demand and supply in aluminum market is still unstable. The issue of excess market supply and overcapacity in the aluminum industry is also very acute in China and the financial and credit statuses of aluminum enterprises are still affected by the unfavorable industry and market. As such, the Company's exposure to the credit risk of Tianrui Group Company under the Company Guarantee will be minimized by carving out Tianrui Group Company's subsidiaries operating in aluminum-related business; and
- (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 Board 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, the Company 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 Company Guarantee is high, the commission chargeable by such guarantor would be costly for the Group. The market rate for commission for guarantee by independent third party varies from 1% to 3% depends on the amount of guarantee and risk exposure. Currently, the Company does not engage any independent third party to provide guarantee and the Group has waived all such costs incurred for the group companies;

- (ii) **Individual guarantee relating to each individual loan agreement**

- As described in paragraph (c) above, the Group's business is capital-intensive. Arranging individual guarantees relating to each individual loan agreement could limit the flexibility for the Group to approve and execute its relevant loans and borrowings on a timely basis.

LETTER FROM THE BOARD

- (f) In contrast to the 2013 Framework Agreement and the 2015 Framework Agreement, the Company has, together with Tianrui Cement as a party to the agreement, formulated the agreement and entered into the 2017 Framework Agreement with Tianrui Group Company. The principal reasons for this are set out as follows:
- (i) it has become increasingly common for banks in China to arrange cross-border finance such as offshore or onshore financing against domestic or overseas guarantee, which require companies outside of China to become parties in the arrangement. Some banks have proposed this kind of arrangement and requirement to the Company, Tianrui Cement, Tianrui Group Company or its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business), in order to lower finance cost, enlarge financing scale or match cross-border funding needs.
 - (ii) some banks are willing to offer a better finance service package for the groups, including majority shareholders and listed companies, which would require a guarantee from the listed company, since a public company listed on a stock exchange has better transparency and credit compared to a private company.

In consideration for the benefits received by the Group under the Tianrui Group Guarantee set out above, the Company has, therefore, agreed to provide the Company Guarantee.

LETTER FROM THE BOARD

RISK MANAGEMENT MEASURES UNDER THE 2017 FRAMEWORK AGREEMENT

In order to minimize the risk exposure of the Company in relation to the Company Guarantee, the Board shall continue to establish a special committee. The special committee consisting five members including three independent non-executive Directors, the Chief Financial Officer and the deputy financial controller of our Company. Each of them focuses on different areas according to their experience and expertise. The Chief Financial Officer and the deputy financial controller are responsible for monitoring the operation and financial performance of the Tianrui Group Company, especially those companies being guaranteed. Both of them have monthly meetings with the senior management of Tianrui Group Company and guaranteed companies to review their operations and financial performance, including the updated financial statements. Through these regular meetings, they can have the first hand information about the financial situation of the Tianrui Group Company. They will report any adverse situation or financial problems to the special committee and call for meetings to discuss, if necessary. Since the execution of the 2015 Framework Agreement, no special situation was noted and therefore no special meetings were called so far. None of the special committee members is employee of (except the Company) any company which is under control of Tianrui Group Company or Chairman Li. Therefore, there is no potential conflict of interest in that respect. The special committee shall, during the Term:

- (a) review and approve each and every Company Guarantee (irrespective of the quantum of the guarantees). As per the special committee's usual practice, they consider and examine the business operations and financial position of each borrower before approving each Company Guarantee. They understand the (i) financial situation (ii) suitability (iii) profitability and (iv) business operations of the borrowers. Besides, the committee also reviewed if there were any special issues for each case. All the Guarantees will be reviewed every 3 months after approval. It would not constitute a breach of the 2017 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;
 - (iii) no guarantee should be granted to China Shanshui Cement Group Limited or its related companies;
 - (iv) 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; and

LETTER FROM THE BOARD

- (v) no guarantee should be granted to a borrower whose total liabilities are more than 75% of its total assets nor who is making loss for 3 consecutive years;
- (b) monitor the implementation of each individual guarantee provided by the Company under the 2017 Framework Agreement;
- (c) consider the suitability of the guaranteed company;
- (d) periodically review and make sure no material adverse event or litigation issues will substantially affect the financial and operation of Tianrui Group Company and its subsidiaries and to determine the effect to the guarantee, including if they will constitute breach;
- (e) periodically review the management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group Company;
- (f) 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 2017 Framework Agreement; and
- (g) periodically review and examine any material adverse change in foreign exchange risk and the policy risk under the 2017 Framework Agreement.

To ensure the special committee periodically reviews the controls listed above through the following measures:

- (i) The committee members discussed and approved each new guarantee.
- (ii) Information about the guaranteed companies including (a) business operation review and plan, (b) material adverse changes that will result in default of payment if any, and (c) financial information were sent to the committee members each quarter for review.
- (iii) Review meetings were held every 6 months to revisit the performance of each guarantee. Since the execution of the 2015 Framework Agreement, review meetings were held on 14 March 2016, 22 August 2016 and 26 March 2017 and no special findings/exception were noted.
- (iv) Special meetings would be called once any material adverse events or situations were noted. Since the execution of the 2015 Framework Agreement, no such events were noted and therefore, no special meetings were called so far.

Beside the new measures related to foreign exchange risk and policy risk, other risk management measures for the 2017 Framework Agreement remain the same as that for the 2013 Framework Agreement and the 2015 Framework Agreement. It is also an internal guideline for the special committee to ensure that the utilized amount of the Company Guarantee is effectively lower than the utilized amount of the Company Guarantee.

LETTER FROM THE BOARD

The Directors are of the view that the terms of the 2017 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 Company Guarantee for a maximum daily balance of RMB3,000 million has been driven by Tianrui Group Company's agreeing to provide Tianrui Group Guarantee for a maximum daily balance of RMB7,000 million, being RMB4,000 million more than that of Company Guarantee; (2) there has not been a single event of default of the loans secured by Company Guarantee during the term of the 2013 Framework Agreement and 2015 Framework Agreement; (3) after evaluating the Group's need for the financing under Tianrui Group Guarantee with a maximum daily outstanding amount of RMB7,000 million as compared to the relatively small risk associated with default under Company Guarantee in light of the additional protection of Primary Guarantee and Indemnity (please refer to section headed "I. Major Terms of the 2017 Framework Agreement — 4(b) Company Guarantee" for further details) provided by Tianrui Group Company under the 2017 Framework Agreement, counter guarantee provided by Chairman Li under the 2017 Counter Guarantee Agreement, and the track record of no single event of default under Company Guarantee to date, the Directors are of the view that the risks associated with Company 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.

EFFECT OF THE TRANSACTIONS ON THE FINANCIAL POSITION OF THE GROUP

Unless the Company Guarantee is realized, Chairman Li failed to honour his obligation under the Counter Guarantee and when actual economic benefits flow out from the Company due to the discharge of its obligation, There has not been single default of the loans secured by the Company Guarantee or the Tianrui Group Guarantee during the term of the 2013 Framework Agreement and 2015 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 2017 Framework Agreement is not likely to have a substantial impact on the financial position of the Group.

The Company 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.

LETTER FROM THE BOARD

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 50.62% 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 2017 Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Company Guarantee

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

As the amount of the proposed Annual Caps (daily maximum balance not exceeding RMB3,000 million for each of the three years ending 31 December 2019) exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of Company Guarantee is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

Tianrui Group Guarantee

The Board considers that the Tianrui Group Guarantee (daily maximum balance not exceeding RMB7,000 million for each of the three years ending 31 December 2019) 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;

LETTER FROM THE BOARD

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 11 May 2017, Chairman Li, the ultimate controlling shareholder of Tianrui Company, entered into the 2017 Counter Guarantee Agreement with the Company, pursuant to which Chairman Li has agreed to indemnify the Company by means of the Counter Guarantee for any amount payable by the Company or its subsidiaries in connection with the Company Guarantee, including the principal amount 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 2017 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 in connection with the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019.

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 2017 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 2017 Framework Agreement.

EXTRAORDINARY GENERAL MEETING

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the 2017 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 2017 Framework Agreement and the transactions contemplated thereunder. In accordance with the Listing Rules, any shareholder with a material interest in the 2017 Framework Agreement and his close associates shall abstain from voting at the EGM, accordingly Yu Kuo Company Limited, which holds a total of 50.62% Shares of the Company as at the Latest Practicable Date and is ultimately controlled by Chairman Li, being connected persons of the Company

LETTER FROM THE BOARD

and having material interests in the 2017 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 2017 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 year ended 31 December 2016		For the year ended 31 December 2015	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(audited)		(audited)	
	Tianrui Group Company	Company	Tianrui Group Company	Company
Revenue	9,355,647.3	6,008,605	8,347,602.9	6,195,093
Profit before tax	792,085.9	351,635	583,551.7	312,526
Net profit (after tax)	635,268.9	249,570	539,335.8	283,505
Net cash from operating	3,422,607.2	2,325,568	3,251,059.7	116,064

LETTER FROM THE BOARD

	For the year ended 31 December 2016		For the year ended 31 December 2015	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(audited)		(audited)	
	Tianrui Group Company	Company	Tianrui Group Company	Company
Cash and bank balances	6,042,192.2	726,178	7,920,879.7	722,311
Total assets	70,254,407.4	24,116,401	62,601,442.0	27,090,642
Total liabilities	37,818,878.3	16,476,711	39,914,353.2	19,672,581
Net assets	32,435,529.1	7,639,690	22,687,088.8	7,418,061
Contingent liabilities (Notes 2 & 3)	—	1,542,000	—	1,522,000
Utilized banking facilities (Note 4)	24,612,807.1	6,449,717	22,264,256.2	4,489,423

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 RMB4,535.7 million as at 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 Company 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 at 31 December 2016 and 31 December 2015 respectively.

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.

LETTER FROM THE BOARD

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 International Limited to the Independent Board Committee and the Independent Shareholders set out on pages 24 to 39 of this circular in connection with the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019 and the principal factors and reasons considered by TC Capital International Limited in arriving at such advice respectively.

The Independent Board Committee, having taken into account the advice of TC Capital International Limited, considers that the Company Guarantee contemplated under the 2017 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 2017 Framework Agreement and the Company Guarantee contemplated thereunder and the 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

19 July 2017

To the Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTION
MAJOR TRANSACTION
2017 FRAMEWORK AGREEMENT IN RELATION
TO PROVISION OF MUTUAL GUARANTEES**

We refer to the circular of the Company dated 19 July 2017 (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 2017 Framework Agreement and the Company 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 2017 Framework Agreement and the Company 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 2017 Framework Agreement and the advice of TC Capital International Limited in relation to the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019 as set out on pages 24 to 39 of the Circular, we are of the opinion that the Company Guarantee under 2017 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 Company

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Guarantee Annual Caps provided in the 2017 Framework Agreement are fair and reasonable, and therefore are in the interests of the Company and 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 2017 Framework Agreement and the Company Guarantee contemplated thereunder and the 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

LETTER FROM TC CAPITAL INTERNATIONAL LIMITED

The following is the full text of a letter of advice from TC Capital International Limited, the independent financial adviser to the independent board committee and the Independent Shareholders, which has been prepared for the purpose of incorporation in this circular, setting out its advice to the independent board committee and the Independent Shareholders on the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019.



19 July 2017

*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 Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019 (the “**Company 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 19 July 2017 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 2015 Framework Agreement, Tianrui Cement, a wholly-owned subsidiary of the Company, agreed to provide guarantees to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminum-related business) and Tianrui Group Company has 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 for a term from 27 November 2015 to 31 December 2017.

The Company has entered into 2017 Framework Agreement with Tianrui Group Company and Tianrui Cement, pursuant to which the 2015 Framework Agreement (which was due to expire on 31 December 2017) shall be terminated when the 2017 Framework

LETTER FROM TC CAPITAL INTERNATIONAL LIMITED

Agreement shall become effective and the Company has conditionally agreed to provide the Company Guarantee to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminum-related business) and Tianrui Group Company has conditionally agreed to provide the Tianrui Group Guarantee to the Company (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 for a term from 11 May 2017 to 31 December 2019, subject to the Annual Caps. For the avoidance of doubt, none of the members of the Group will be considered to be a subsidiary of Tianrui Group Company for the purpose of the 2017 Framework Agreement.

As at the Latest Practicable Date, Tianrui Group Company was the controlling shareholder of the Company and it is therefore a connected person of the Company. Therefore, the transactions under the 2017 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 Company Guarantee exceed 5% but all applicable percentage ratios are less than 75%, the Company Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules and is subject to the reporting, announcement and Independent Shareholders' approval requirements under 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 2017 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 in connection with the Company Guarantee under the 2017 Framework Agreement and the proposed annual caps for a term from 11 May 2017 to 31 December 2019. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Company Guarantee under the 2017 Framework Agreement and the Company 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 two occasions as detailed in the circulars of the Company dated 30 October 2015 and 30 December 2016 respectively and 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. Apart from normal professional fees payable to us in connection with this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we will receive any fee from the Company, its subsidiaries, its associates or their respective substantial shareholders or associates. As at

LETTER FROM TC CAPITAL INTERNATIONAL LIMITED

the Latest Practicable Date, we were not aware of any relationships or interest between us and the Company or any other parties that could be reasonable be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rules to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Company Guarantee under the 2017 Framework Agreement and the Company 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 reports of the Company for the two years ended 31 December 2016 (the “**2015 Annual Report**” and “**2016 Annual Report**”, respectively); (iii) the audited annual reports of Tianrui Group Company for the two years ended 31 December 2016; and (iv) relevant market data and information available from public sources and the website of the Stock Exchange. We have also relied on all relevant information, opinions and facts supplied and represented by the Company, 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 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 Company Guarantee and the Company Guarantee Annual Caps, we have considered the following principal factors and reasons:

1. Background information of the parties to the 2017 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 clinker and cement.

b. 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. Announcement was made by the Group and China Shanshui Cement Group Limited on 8 June 2017 and 2 June 2017 respectively, in relation to a legal action arisen by a shareholder of China Shanshui Cement Group Limited in relation to certain claims regarding China Shanshui Cement Group Limited (the “**Action**”). In the Action, there are 17 respondents including Tianrui Group Company. According to the legal opinion in regard to the Action obtained by the Company on 21 June 2017, the petition does not appear to have substantive ground and thus no basis to conclude the Action would have any material impact on Chairman Li and Tianrui Group Company. Based on the above legal opinion, we are of the view that the potential risks and the impact of the Action to Tianrui Group Company is minimal. As advised by the Company, the Action has no further update as at the Latest Practicable Date.

Financial position 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 three years ended 31 December 2016 (“**FY2014**”, “**FY2015**” and “**FY2016**” respectively):

	For the year ended 31 December		
	2016	2015	2014
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(audited)	(audited)	(audited)
Revenue	9,355,647.3	8,347,602.9	10,907,693.0
Earnings Before Interest & Tax (“ EBIT ”)	2,136,553.6	1,933,061.8	2,217,931.0
Finance costs	1,344,467.7	1,349,510.1	1,085,519.2
Net profit	635,268.9	539,335.8	918,436.5
Net cash from operation	3,422,607.2	3,251,059.7	2,351,499.6
Financial ratios			
Net margin (%)	6.79%	6.46%	8.42%
EBIT margin (%)	22.84%	23.16%	20.33%
Interest coverage (EBIT/finance costs) (<i>times</i>)	1.59	1.43	2.04

LETTER FROM TC CAPITAL INTERNATIONAL LIMITED

	As at 31 December		
	2016	2015	2014
	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)	<i>RMB'000</i> (audited)
Cash and cash equivalent	4,372,516.3	6,355,380.2	2,937,729.7
Current assets	16,338,942.7	17,980,338.5	15,714,969.1
Non-current assets	53,915,464.8	44,621,103.4	38,157,532.1
Total assets	70,254,407.4	62,601,442.0	53,872,501.2
Current liabilities	19,766,869.6	22,661,412.0	18,333,014.3
Net current liabilities	3,427,926.9	4,681,073.5	2,618,045.2
Non-current liabilities	18,052,008.7	17,252,941.3	12,542,896.9
Total liabilities	37,818,878.3	39,914,353.2	30,875,911.3
Net assets	32,435,529.1	22,687,088.7	22,996,590.0
 Financial ratios			
Current ratio (<i>times</i>)	0.83	0.79	0.86
Total liabilities to total equity (%)	116.6%	175.9%	134.3%

As shown in the above tables, the revenue of the Tianrui Group Company decreased from approximately RMB10,907.7 million for FY2014 to approximately RMB8,347.6 million for FY2015 mainly due to the decrease in the sales volume of cement. It then increased to approximately RMB9,355.6 million for FY2016 mainly due to increase in the revenue from sale of cement and other business including but not limited to the coal coking business. The net profit of the Tianrui Group Company decreased from approximately RMB918.4 million for FY2014 to approximately RMB539.3 million for FY2015 mainly due to the increase in the finance cost resulting from the increase in bank loans. It then increased to approximately RMB635.3 million for FY2016 mainly due to the increase in the price and decrease of unit production cost of cement. Net margin of Tianrui Group Company decreased to approximately 6.46% for the year ended 31 December 2015 from approximately 8.42% for the year ended 31 December 2014, and then increased slightly to approximately 6.79% for the year ended 31 December 2016, which was due to the change in net profit as discussed above. The EBIT margin of Tianrui Group Company increased to approximately 23.16% for the year ended 31 December 2015 from approximately 20.33% for the year ended 31 December 2014, and then decrease slightly to approximately 22.84% for the year ended 31 December 2016. The change in the EBIT margin was mainly dominated by the change in the revenue. The interest coverage of Tianrui Group Company decreased to 1.43 for the year ended 31 December 2015 from 2.04 for the year ended 31 December 2014, and then increased to 1.59 for the year ended 31 December 2016, which was mainly due to the change in revenue and finance cost as discussed above.

The cash and cash equivalent of the Tianrui Group Company increased from approximately RMB2,937.7 million as at 31 December 2014 to approximately RMB6,355.4 million as at 31 December 2015 mainly due to the issuance of bonds

during the year of 2015. It then decreased to approximately RMB4,372.5 million as at 31 December 2016 mainly due to repayment of bonds. The total liabilities to total equity ratio of the Tianrui Group Company decreased from approximately 134.3% as at 31 December 2014 to approximately 175.9% as at 31 December 2015 mainly due to the increase in its total liability resulting from issuing of bonds outweigh the increase in total assets resulting from the increase in investment. It then decreased to approximately 116.6% as at 31 December 2016 mainly due to repayment of bonds.

According to 跟蹤評級公告 (Rating tracking report) dated 26 June 2017 issued by China Lianhe Credit Rating Co., Ltd., a credit rating agency recognised by Peoples' Bank of China, Tianrui Group Company is rated AA, with a stable outlook. The management of the Company advised that 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.

According to 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 and 133th in 2016, respectively.

Although there was an Action which involved Tianrui Group Company, the Company has obtained a legal opinion confirming that the petition would not bring any consequence to Chairman Li and Tianrui Group Company and the Company will consider whether there is any material adverse event or litigation issues in approval of the grant of the provision of guarantee under the Company Guarantee as stated in the paragraph headed "Risk management measures under the 2017 Framework Agreement" below. Shareholders should note that the ability of Tianrui Group Company to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantee depends on a number of factors including but not limited to, its credit ranking, repayment history, historical financial position and potential liability. In regard to assess the ability of the Tianrui Group Company to settle liabilities arising from the loans obtained from the lenders under the Company Guarantee, we have (i) reviewed the financial position, including but not limited to net profit, cash and cash equivalent and total liabilities to total equity ratio, of the Tianrui Group Company for the three years ended 31 December 2016 as stated above; (ii) reviewed the rating tracking report issued by China Lianhe Credit Rating Co., Ltd which rated the Tianrui Group Company in AA credit rating; and (iii) reviewed the list of yearly top 500 private enterprises in the PRC published by All-China Federation of Industry & Commerce (中華全國工商業聯合會) and the Tianrui Group Company was ranked 105th in 2015 and 133th in 2016, respectively. As a result, 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 Company Guarantee, in case the loans are guaranteed by the Company (if any).

2. Reasons and benefits for entering into the Company Guarantee

Details of the reason and benefits for entering the 2017 Framework Agreement are set out in the session headed “Reasons for and benefits of the 2017 Framework Agreement” in the Letter from the Board. In assessing whether the entering into the Company Guarantee is in the interests of the Company and the Shareholders, we have considered the following factors:

Benefits enjoyed from the Tianrui Group Guarantee

As stated in the Letter from the Board, 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. As at 31 December 2016, approximately RMB4,535.7 million of guarantee amount has been utilized by the Company under the Tianrui Group Guarantee. By entering the 2017 Framework Agreement, the Company will continue to obtain banking facilities guaranteed by the Tianrui Group Company under the Tianrui Group Guarantee. We are of the view that the entering into the 2017 Framework Agreement can facilitate the operation and growth of the business of the Company as it can secure sufficient funds for its operations.

The maximum daily balance of Tianrui Group Guarantee under 2017 Framework Agreement was RMB7,000 million. Taking into account of approximately RMB4,535.7 million of guarantee amounts has been utilized by the Company under the Tianrui Group Guarantee as at 31 December 2016, approximately RMB2,464.3 million will be available under the Tianrui Group Guarantee. As a result, we are of the view that such unutilized amount would provide additional funds for its operations.

Risks exposure associated with the Company Guarantee

The Company has taken the following actions to limit the risks exposure of the Company in the Company Guarantee:

- (a) 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, whereas the Company is being provided for additional credit support. Furthermore, Tianrui Group Company, by entering into the 2017 Framework Agreement, has agreed to indemnify the Company 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; and
- (b) the Company will not provide a guarantee to any of Tianrui Group Company’s subsidiaries operating in aluminum-related business.

In light of the benefits enjoyed from the Tianrui Group Guarantee as mentioned above, we are of the view that the risks associated with the Company Guarantee is justified after considering (i) the above measures to limit the risks exposure of the

Company in the Company Guarantee; and (ii) Tianrui Group Company will be capable to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantees set out in the paragraph headed “Financial position of Tianrui Group Company” above.

Historical amount of guarantee under the 2015 Framework Agreement

Approximately RMB1,472 million and RMB1,542 million has been utilized under the Tianrui Cement Guarantee for the year ended 31 December 2015 and 2016, which is less than the utilization amount of Tianrui Group Guarantee of approximately RMB2,000 million and RMB4,535.7 million. In considering the historical amount guaranteed by the Company is less than the guarantee its obtained from Tianrui Group Company, we are of the view that entering the 2017 Framework Agreement are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

Common industry practice and government policy on oversea guarantee

According to “關於金融支援工業穩增長調結構增效益的若干意見 (Some Opinions on Providing Financial Supports to Industry for Stabilizing Growth, Adjusting Structure and Enhancing Profitability)” issued by Ministry of Finance of the PRC in 2016, to act in concert with and foster the development of “One Belt, One Road”, the PRC government simplified the financing approval process so as to encourage industrial companies to arrange onshore financing against overseas guarantee by utilising foreign assets as securities. In regard to the inclusion of the Company as a party to provide the Company Guarantee to Tianrui Group Company of the Company Guarantee under the 2017 Framework Agreement, since (i) such guarantee arrangement reduce the financial cost; (ii) as advised by the Company, based on the recent negotiation with the PRC banks on obtaining banking facilities for the Tianrui Group Company, they are required to include the Company as a guarantor to provide additional credit support; (iii) the supportive government policy on financing activities; and (iv) the aforesaid drafted loan agreements offer a better terms, such as the principal loan amount and the interest rate, as compared to the loan agreements without the inclusion of the Company as a guarantor, we consider it is reasonable to include the Company as a party to formulate the Company Guarantee under the 2017 Framework Agreement.

Based on the above, we concur with the Directors’ view that, although the entering into the Company Guarantee is not in the ordinary and usual course of business of the Company, the entering into the 2017 Framework Agreement will continue to facilitate the operation and growth of the businesses of the Company and Tianrui Group Company as both parties can secure sufficient funds for their operations.

3. Principal terms of the 2017 Framework Agreement

The principal terms of the 2017 Framework Agreement have been set out in the Letter from the Board and are summarized below.

According to the 2017 Framework Agreement, Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to the Company or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them.

The Company 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 the Company Guarantee shall only be provided as additional credit support. In addition, with respect to such Company Guarantee, Tianrui Group Company undertakes to indemnify the Company for any amount payable by the Company in accordance with the terms and conditions of the Company 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. Chairman Li does not charge any fees in relation to the Company Guarantee. In addition, Chairman Li agreed to indemnify the Company for any amount that the Company would have paid to the lenders of Tianrui Group Company in accordance with the terms and conditions of each individual guarantee under the 2017 Framework Agreement, while the Group is not obliged to make any counter guarantee for the guarantee provided by the Tianrui Group Company. We consider that the counter guarantee from Chairman Li provides benefit to the Group without any cost.

According to 2017 福布斯全球億萬富豪榜 (2017 Forbes The World's Billionaires List) published by Forbes, Chairman Li and his family ranked No. 1795 with a net asset value of approximately US\$1,100 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. Shareholders should note that we have not assessed the reliability of net asset value of approximately US\$1,100 million of Chairman Li and his family as stated in the 2017 Forbes World's Billionaires List.

As at the Latest Practicable Date, Chairman Li and Mrs. Li indirectly held interests in various companies listed in the PRC and Hong Kong, including but not limited to the interest in the Company, China Shanshui Cement Group Limited (691.HK) and Henan Tongli Cement Co., Ltd (000885.SZ), details of the interest in the above companies held by Chairman Li and Mrs. Li are set out below. Shareholders should note that, as advised by Chairman Li, the above listed shares do not represent the whole asset of Chairman Li.

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Name of Company	Total shares		Number of pledged shares	Shares without pledged and long period of suspension but included 537,381,647 Shares which are pledged for the interest of the Company (the “Relevant Shares”)	
	Number	Market value (Note 3) HK\$' million		Number	Market value (Note 3)
The Company (1252.HK)	1,487,381,647	3,540.0	515,000,000 (Note 4) 537,381,647 (Note 5)	972,381,647	2,314.3
China Shanshui Cement Group Limited (691.HK) (Note 1)	951,462,000	5,984.7	791,000,000 (Note 6)	—	—
Henan Tongli Cement Co., Ltd (000885.SZ) (Note 2)	23,114,100	502.3	—	23,114,100	502.3
Total		<u>10,027.0</u>			<u>2,816.6</u>

Notes:

1. The shares of China Shanshui Cement Group Limited were suspended since 16 April 2015.
2. The shares of Henan Tongli Cement Co., Ltd were suspended since 8 May 2017.
3. The market value of the shares is based on the closing prices of the Shares as at the Latest Practicable Date and the closing price of China Shanshui Cement Group Limited (if applicable) and Henan Tongli Cement Co., Ltd prior to the suspension of their shares.
4. 515,000,000 Shares were pledged as a security for a term loan facility provided by a lender to Tianrui Group Company, details of which are set out in the announcement of the Company dated 27 May 2016.
5. 537,381,647 Shares were pledged as a security for a term loan facility in an aggregate amount of HK\$600,000,000 provided by a lender to the Company, details of which are set out in the announcement of the Company dated 26 June 2017. The management of the Company advised that the Group can repay the loans under this term loan facility of HK\$600,000,000 if Chairman Li requests.
6. 791,000,000 shares of China Shanshui Cement Group Limited were pledged as a security for a term loan facility provided by a lender to Tianrui Cement, a wholly-owned subsidiary of the Company.

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Although we had not reviewed all the asset of Chairman Li, given market value of the Relevant Shares being approximately HK\$2,816.6 million based on the closing price of the Group and the closing price prior to the suspension of Henan Tongli Cement Co., Ltd on 8 May 2017 is approximate to the guarantee amount of RMB3,000 million under the Company Guarantee, we are of the view that Chairman Li is capable to provide the counter guarantee after considering the net asset value of approximately US\$1,100 million of Chairman Li and his family, which included the above listed shares held by Chairman Li and his family and their personal assets, as disclosed in 2017 Forbes The World's Billionaires List is larger than the guarantee amount of RMB3,000 million under the Company Guarantee.

For avoidance of doubt, any member of the Group will not be considered to be as subsidiary of Tianrui Group Company for the purpose of the 2017 Framework Agreement. Pursuant to the 2017 Framework Agreement, no obligations under the Company Guarantee and Tianrui Group Guarantee shall be offset against each other.

The provision of the Guarantees by each party under the 2017 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 the Company Guarantee, the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2017 Framework Agreement. For further details, please refer to the section headed "Risk management measures under the 2017 Framework Agreement" in the Letter from the Board.

As stated in the Letter from the Board, no security shall be provided over the assets of any member of the Group in relation to any of the Guarantees, and no commission is payable by the Company or Tianrui Group Company to each other in connection with any of the Guarantees. As the historical utilization amount and the annual caps under the Tianrui Group Guarantee is greater than that under the Company Guarantee and the 2017 Framework Agreement stated that the utilization amount of the Tianrui Group Guaranteed should be greater than the utilization amount of the Company Guarantee during the term of the 2017 Framework Agreement, we consider the 2017 Framework Agreement established without commission basis and no security is reasonable and in the interests of the Company and its Shareholders as a whole.

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4. The Company Guarantee Annual Caps and its basis

The proposed Company Guarantee Annual Caps are set out as follows:

	Year ending 31 December		
	2017	2018	2019
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	<i>(million)</i>	<i>(million)</i>	<i>(million)</i>
Maximum daily balance of Company Guarantee	3,000	3,000	3,000
Maximum daily balance of Tianrui Group Guarantee	<u>7,000</u>	<u>7,000</u>	<u>7,000</u>

The proposed Company Guarantee Annual Caps 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 RMB1,542.0 million secured by Company 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 RMB1,458.0 million in bank facilities will be required to finance investments in relation to its tourism, energy and other businesses.

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 RMB1,542.0 million of Tianrui Group Company secured by Company Guarantee.

The Directors advised that, as informed by Tianrui Group Company, Tianrui Group Company will maintain a moderate expansion in 2018 and 2019. Tianrui Group Company intends to spend approximately RMB650.0 million in investment in its tourism business to improve tourism facilities, approximately RMB550.0 million in investment in its energy business for new products and approximately RMB258.0 million in foundry business which includes the production of steel casting for railway locomotives, mining machinery and urban infrastructure.

In light of the above, we are of the view that the Company 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.

5. Risk management measures under the 2017 Framework Agreement

As stated in the Letter from the Board, in order to minimize the risk exposure of the Company in relation to the Company Guarantee, the Board shall continue to establish a special committee (the “**Special Committee**”). The Special Committee consisting five members including three independent non-executive Directors, the chief financial officer and the deputy financial controller of the Company. Each of them focuses on different areas according to their experience and expertise. The chief financial officer and the deputy financial controller are responsible for monitoring the operation and financial performance of the Tianrui Group Company, especially those companies being guaranteed. Both of them have monthly meetings with the senior management of Tianrui Group Company and guaranteed companies to review their operations and financial performance, including the updated financial statements. Through these regular meetings, they can have the first hand information about the financial situation of the Tianrui Group Company. They will report any adverse situation or financial problems to the special committee and call for meetings to discuss, if necessary. Since the execution of the 2015 Framework Agreement, no special situation was noted and therefore no special meetings were called so far. None of the special committee members is employee of (except the Company) any company which is under control of Tianrui Group Company or Chairman Li. Therefore, there is no potential conflict of interest in that respect. The Special Committee shall follow a risk management guideline in relation to the Company Guarantee (the “**Guidelines**”). We have obtained and reviewed the Guidelines and noted that the Special Committee will take into account the following factors when approving the Company to provide the guarantee under the Company Guarantee.

To review and approve each and every Company Guarantee (irrespective of the quantum of the guarantees), as per the Special Committee’s usual practice, they consider and examine the business operations and financial position of each borrower before approving each Company Guarantee. They understand the (i) financial situation; (ii) suitability; (iii) profitability; and (iv) business operations of the borrowers. Besides, the committee also reviewed if there were any special issues for each case. All the Guarantees will be reviewed every 3 months after approval. It would not constitute a breach of the 2017 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;
- (iii) no guarantee should be granted to China Shanshui Cement Group Limited or its related companies;

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- (iv) 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; and
- (v) no guarantee should be granted to a borrower with debt ratio higher than 75% nor making loss for 3 consecutive years.

The debt ratio is calculated as total liabilities divided by total asset and its ratio cannot be higher than 75% which is stricter than the factor that the borrower should not have negative consolidated equity attributable to owners. Thus the debt ratio of not higher than 75% further requires the borrower to have a better capability of repayment. Moreover, restricting the borrower operating in aluminum-related business can prevent the Company Guarantee exposing to the industry which is currently considered high-risk industry and thus reduce the possibility of default on the banking facilities guaranteed under the Company Guarantee. As a result, we are of the view that the aforesaid factors could provide additional protection to the Company from the risk of default on the banking facilities guaranteed under the Company Guarantee.

In addition, we also noted that the Special Committee will periodically review (i) management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group Company; (ii) 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 2017 Framework Agreement; and (iii) to ensure no material adverse event or litigation issues will substantially affect the financial and operation Tianrui Group Company and its subsidiaries and to determine the effect to the guarantee, including if they will constitute breach.

As stated in the Letter from the Board, to ensure the Special Committee periodically reviews the controls listed above through the following measures:

- (i) the committee members discussed and approved each new guarantee;
- (ii) information about the guaranteed companies including (a) business operation review and plan; (b) material adverse changes that will resulted in default of payment if any; and (c) financial information were sent to the committee members each quarter for review;
- (iii) review meetings were held every 6 months to revisit the performance of each guarantee. Since the execution of the 2015 Framework Agreement, review meetings were held on 14 March 2016, 22 August 2016 and 26 March 2017 and no special findings/exception were noted; and
- (iv) special meetings would be called once any material adverse events or situations were noted. Since the execution of the 2015 Framework Agreement, no such events were noted and therefore, no special meetings were called so far.

Based on the consideration factors on approving each of the guarantee under the Company Guarantee as stated above, we are of the view that (i) the requirement on the borrower's financial position (such as consolidated equity attributable to owners and debt

ratio) can ensure the borrower has a healthy financial which reduces the possibility of default; (ii) the limitation on the guarantee to be granted to the borrower in certain industry can minimize the risk exposure of the Group; 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 could provide an additional protection on any specific event other than aforementioned factors that could led to a potential risk of default.

After the guarantee granted by the Group under the Company Guarantee, the Special Committee will periodically review the financial position, any material change in business and operation of Tianrui Group and any material adverse event or litigation issues will substantially affect the financial and operation Tianrui Group Company and its subsidiaries which can continue monitor the ability of repayment of Tianrui Group Company under the Company Guarantee so that the Group can notice if there is any possibility of default on such banking facilities

After taking into account the Guidelines as mentioned above, we concur with the Directors' view that the risk exposure of the Company in relation to the Company Guarantee is minimised.

6. Financial effects

As stated in the Letter from the Board, the Company 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. As stated in the 2015 Annual Report and the 2016 Annual Report, the financial guarantee contracts of the Group in relation to the guarantee provided by the Group to Tianrui Group Company was recorded approximately RMB9.3 million, RMB10.6 million and RMB26.9 million as a current liabilities as at 31 December 2014, 2015 and 2016 while the net asset value of the Group was recorded approximately RMB7,413.3 million, RMB7,418.1 million and RMB7,639.7 million as at 31 December 2014, 2015 and 2016 and the outstanding balance of the guarantee provided by the Group to Tianrui Group Company was approximately RMB1,432.0 million, RMB1,472.0 million and RMB1,542.0 million as at 31 December 2014, 2015 and 2016. For FY2014, FY2015 and FY2016, approximately RMB2.2 million, RMB2.5 million and RMB5.6 million respectively of the financial guarantee contracts liability in relation to the guarantee provided by the Group to Tianrui Group Company were amortized and recorded as financial cost in the income statement. Although the amount of financial guarantee contracts recorded as a current liability and the amount of amortization of such liability cannot be estimated as at the Latest Practicable Date since the amount was based on the evaluation of financial guarantee contracts as at the balance sheet date, we concur with the Directors' view that the entering of 2017 Framework Agreement would not have a material negative impact to the performance of the Group after considering the historical impact on the net asset value of the Group and the amortization cost of the guarantee provided by the Group to Tianrui Group Company for FY2014, FY2015 and FY2016.

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Shareholders should note that the aforementioned analyses are for illustrative purpose only and do not purport to represent how the financial position of the Group will be effected by the 2017 Framework Agreement.

RECOMMENDATION

Having considered the principal factors and reasons as discussed above, we are of the view that although the entering into the Company Guarantee is not in the ordinary and usual course of business of the Company, we consider that the terms of the Company Guarantee are on normal commercial terms, fair and reasonable insofar as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole and the Company Guarantee Annual Caps is fair and reasonable. 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 International Limited
Edward Wu
Chairman

Note: Mr. Edward Wu has been a responsible officer of Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance since 2005. He has participated in and completed various advisory transactions in respect of connected transactions of listed companies in Hong Kong.

The English translation of the Chinese name(s) in this letter is included for information purpose only and should not be regarded as the official English name(s) of such Chinese names.

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 2014, 2015 and 2016 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 2014, 2015 and 2016. Please see below the hyperlinks to the said annual reports:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2017/0427/LTN20170427515.pdf>
<http://www.hkexnews.hk/listedco/listconews/SEHK/2016/0426/LTN201604261229.pdf>
<http://www.hkexnews.hk/listedco/listconews/SEHK/2015/0429/LTN20150429369.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business of 31 May 2017, 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 RMB11,527.7 million, details of which are set out below:

	<i>RMB</i> (<i>'million</i>)
Bank loans — secured and guaranteed	1,650.6
Bank loans — secured and unguaranteed	2,260.5
Bank loans — unsecured and guaranteed	1,120.5
Bank loans — unsecured and unguaranteed	600.0
Medium-term debentures — unsecured and unguaranteed	2,820.0
Long-term corporate bonds — unsecured and unguaranteed	1,076.2
Long-term corporate bonds — unsecured and guaranteed	<u>2,000.0</u>
Total	<u><u>11,527.7</u></u>

As at 31 May 2017, bank borrowings of approximately RMB1,542 million of Tianrui Group Company Limited (“**Tianrui Group**”) and its other subsidiaries are supported by the guarantee provided by the Group in favor of Tianrui Group.

The total amounts of debt securities authorized but unissued are RMB3,000 million as at 31 May 2017.

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, finance leases or hire purchase commitments, guarantees or other material contingent liabilities as at the close of business on 31 May 2017.

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 ⁽¹⁾	Interest of corporation controlled by the director/ Long position	1,487,381,647	50.62

- (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. Yu Kuo is interested in 1,487,381,647 Shares.

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 ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
Tianrui Group Company	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
Mr. Li Liufa	Interest of corporation controlled by the director/Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
Ms. Li Fengluan	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	1,487,381,647	50.62
	Short position	537,381,647	18.29
The Export-Import Bank of China	Party with security interest over the shares/ Long position ⁽¹⁾	515,000,000	17.53
Ministry of Finance of the PRC	Party with security interest over the shares/ Long position ⁽¹⁾	515,000,000	17.53
Wan Qi Company Limited (“Wan Qi”)	Beneficial owner/Long position ⁽²⁾	689,400,000	23.46
	Short position	670,215,420	22.81
Mr. Tang Ming Chien	Interest of corporation controlled by the substantial shareholder/ Long position ⁽²⁾	689,400,000	23.46
	Short position	670,215,420	22.81

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
Central China International Financial Holdings Company Limited	Party with security interest over the shares/ Long position	324,603,175	11.05
Central China Securities Company Limited	Party with security interest over the shares/ Long position	324,603,175	11.05
Central China International Investment Company Limited	Party with security interest over the shares/ Long position	174,603,175	5.94
Central China Dragon Growth Fund SPC — Central China Dragon Growth Fund SPI	Party with security interest over the shares/ Long position	150,000,000	5.11
China Huarong Asset Management Co. Ltd.	Party with security interest in shares/Long position	712,381,647	24.24
China Huarong International Holdings Limited	Party with security interest in shares/Long position	712,381,647	24.24
Huarong Investment Stock Corporation Limited	Party with security interest in shares/Long position	175,000,000	5.96

Name	Capacity/ Nature of Interests	Total number of shares	Approximate percentage of shareholding (%)
Notable Charm Investments Limited	Party with security interest in shares/Long position	175,000,000	5.96
Right Select International Limited	Party with security interest in shares/Long position	712,381,647	24.24
Best Ego Limited	Party with security interest in shares/Long position	537,381,647	18.29

- (1) The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi, which are legally and beneficially owned by Mr. Li Liufa and Ms. Li Fengluan through Tianrui Group Company Limited and Tianrui (International) Holding Company Limited (see “CORPORATE STRUCTURE” of the annual report 2016 for details). Therefore, Mr. Li Liufa and Ms. Li Fengluan are deemed to be interested in the Shares held by Yu Kuo. On 26 May 2016, Yu Kuo has executed the relevant documentation to create a charge (“**Share Charge**”) over 515,000,000 Shares in the share capital of the Company in favour of The Export-Import Bank of China, a financial institution, as security for a loan advanced by the Lenders to Yu Kuo and/or its nominees. Pursuant to the announcement of the Company dated 7 June 2017, Yu Kuo has interests in 1,487,381,647 Shares.
- (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.

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 Li, has acquired a total of 951,462,000 shares of China Shanshui Cement Group Limited (691.HK) (“**Shanshui Cement**”, a company which is listed on the Main Board of the Stock Exchange 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 4.66% 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. Also, as of the Latest Practicable Date, Tianrui Group Company Limited enquired if the Company would exercise the option or, if not, agreed to reduce the shareholding in Tongli Cement. The Company decided not to exercise the option and agreed to reduce the shareholding in Tongli Cement. According to the proposition of Tianrui Group Company Limited, the profit from the reduction in shareholding will be vested to the Company. As of the date of this report, Tianrui Group Company Limited has reduced a total of 48,251,488 shares of Tongli Cement, and the remaining shares held by it would be 23,114,100 shares, representing 4.66% of the total share capital of Tongli Cement (the total amount of share capital after private placement on 22 February 2017).

(4) Xindeng Cement, Yongan Cement

As at the Latest Practicable Date, the Company and Tianrui Group Company Limited (an entity controlled by Chairman Li) entered into an acquisition agreement, pursuant to which 537,381,647 Shares were duly allotted and issued to Yu Kuo on 7 June 2017 at the Issue Price of HK\$1.92 per Share. Following the completion of the acquisition, Yongan Cement has become an indirect wholly-owned subsidiary of the Company and Xindeng Cement has become an indirect non wholly-owned subsidiary of the Company. For further details, please refer to the announcement of the Company dated 7 June 2017.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there is no material adverse change in the financial or trading position or outlook of the Group since 31 December 2016, being the date to which the latest published audited consolidated financial statements of the Group were made up.

5. FINANCIAL AND TRADING PROSPECTS

In the face of the global economic downturn, the increased instability of the international environment, and the fact that the domestic economic growth has not fundamentally changed in 2017, the Chinese government has set the goals that the GDP was to increase by 6.5%, the energy consumption per unit of GDP was to decline by more than 3.4%, and the main pollutant emissions was to continue to decline, etc. Meanwhile, it had also put forward the target to adhere to the reform of the supply-side, to promote the upgrading of consumption and effective investment phase, regional urban and rural development coordination, to enhance the lasting pulling functions of domestic demands for economic growth, to deepen the cooperation between the government and social capital, thus setting the direction for economic growth in 2017. The Central Government of China has determined to complete the railway construction investment of RMB800 billion and the road and water transport investment of RMB1.8 trillion, before commencing 15 major water conservancy projects and more than 2,000 km of urban underground integrated

corridor construction, to promote the construction of Sponge City, and to continue to strengthen the rail transport, civil aviation and other major project construction in 2017. These policies and goals will inevitably lead to increased investment in infrastructure projects, while the real estate industry's inventory and recovery will support the stable cement demands.

In the macro-control context of the supply-side reform and reduction of overcapacity, the cement industry will face the trends of prohibiting new capacity, eliminating backward production capacity, promoting joint restructuring, implementing alternative production arrangements, upgrading cement products, developing new materials and strengthening the greening and environmental-protection, etc. As one of the 12 major national cement companies recognized by the Chinese government and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group has been encouraged to assume the responsibility of merging and consolidating the central cement market. To encourage the integration of the cement industry, the Chinese government has provided support for designated companies, such as tax incentives and special projects or financing approvals. As the government requires the enhancement of environmental protection and the improvement of the air quality, the State Council has put forward the 24-hour online monitoring of all the key industrial pollution sources. The government has determined the compliance deadline of non-compliant enterprises and will close non-compliance enterprises after the due date uncompromisingly. In the face of the external policy of the cement industry, grasping opportunities to the fullest, we will continue to work on the integration and coordination of regional markets through internal structure adjustment and enhance our leading market positions in Henan and Liaoning by virtue of our own and policy advantages.

In addition, we will further expand the scope of the unified purchase of materials, strengthen fine management, and improve the production efficiency, so that we can further reduce the unit production costs and then maintain our leading positions in other markets. We believe that maintaining and increasing the cost advantages will be beneficial for the Group to enjoy more robust profitability in Henan and Liaoning cement markets compared with our main competitors. In order to expand our market coverage, we will also put forward the strategic acquisition at the appropriate time.

6. LITIGATION

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

7. SERVICE CONTRACTS

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

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

As at the Latest Practicable Date, none of the Directors of the Company had any interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors is materially interested in any contract or arrangement subsisting at the Latest Practicable Date which is significant in relation to the business of the Group, save for (i) the clinker supply framework agreement dated 25 March 2014 ("**Clinker Supply Framework Agreement**"), (ii) the limestone supply framework agreement dated 25 March 2014 as disclosed in the announcement dated 25 March 2014 ("**Limestone Supply Framework Agreement**"), (iii) the definite JV memorandum dated 21 August 2015 ("**Definite JV Memorandum**") as disclosed in the announcement dated 23 August 2015, (iv) the framework agreement disclosed in the announcement dated 24 September 2015 ("**2015 Framework Agreement**"), (v) the counter guarantee agreement disclosed in the announcement dated 24 September 2015 ("**2015 Counter Guarantee Agreement**"), (vi) the acquisition agreement dated 25 November 2016 as disclosed in the announcement of the Company dated 25 November 2016 ("**2016 Acquisition Agreement**"), (vii) the Clinker Supply Framework Agreement dated 30 December 2016 as disclosed in the announcement dated 30 December 2016 ("**2016 Clinker Supply Framework Agreement**"), (viii) the framework agreement disclosed in the announcement date 11 May 2017 ("**2017 Framework Agreement**"), and (ix) the counter guarantee agreement disclosed in the announcement dated 11 May 2017 ("**2017 Counter Guarantee Agreement**"), the salient nature of which are as follows:

- (i) 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.
- (ii) 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.

- (iii) 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 circular, 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.
- (iv) On 24 September 2015, Tianrui Group Company and Tianrui Cement entered into the 2015 Framework Agreement with a term from 27 November 2015 to 31 December 2017 (the “**Term**”). Pursuant to the 2015 Framework Agreement, Tianrui Group Company, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries (“**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, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by Tianrui Group Company or any of its subsidiaries (“**Tianrui Cement Guarantee**”). The maximum daily balance of Tianrui Cement Guarantee is RMB2,500,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively. The maximum daily balance of Tianrui Group Guarantee is RMB6,000,000,000 for the period between 27 November 2015 and 31 December 2015, the year ending 31 December 2016 and the year ending 31 December 2017 respectively.
- (v) 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.

- (vi) On 25 November 2016 (after trading hours), the Company and Tianrui Group Company entered into the 2016 Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares at a total consideration of RMB919,000,000. The Sale Shares represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The Acquisition has been completed on 7 June 2017. For further details, please refer to the announcement of the Company dated 7 June 2017.
- (vii) On 30 December 2016, Tianrui Cement (as purchaser) and Ruiping Shilong (as supplier) entered into the 2016 Clinker Supply Framework Agreement for a term commencing from 1 January 2017 to 31 December 2019, 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. The maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for the years ending 31 December 2017, 2018 and 2019 shall not exceed RMB200,000,000, RMB200,000,000 and RMB200,000,000 respectively.
- (viii) On 11 May 2017, the Company, Tianrui Group Company and Tianrui Cement entered into the 2017 Framework Agreement, pursuant to which the parties thereto have agreed to provide guarantees to each other.
- (ix) On 11 May 2017, the Company and Chairman Li entered into the 2017 Counter Guarantee Agreement, pursuant to which Chairman Li has agreed to indemnify the Company for any amount becomes payable by the Company or its subsidiaries in relation to the Company Guarantee.

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

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

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

10. EXPERT'S INTERESTS IN ASSETS

As at the Latest Practicable Date, the expert referred to in the paragraph named "Qualification and Consent of Expert" above does not have any interest in any assets which have been since 31 December 2016 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

11. MATERIAL CONTRACTS

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

- (a) the Definite JV Memorandum entered into between Tianrui Cement and JV Partners on 21 August 2015 with respect to the contribution commitment to and the operation of the JV Finance Company, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the announcement of the Company dated 23 August 2015;
- (b) an acquisition agreement entered into between the Company and Tianrui Group Company on 9 September 2015 (the "**Terminated Acquisition Agreement**") with respect to the Company's proposed acquisition of 100% equity interest in Yongan Cement at a consideration of RMB842,016,891, details of which is set out in the announcement of the Company dated 9 September 2015;
- (c) 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, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the circular of the Company dated 30 October 2015;
- (d) 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, details of which is set out in the paragraph headed "Directors' interest in assets or contracts" to this Appendix and the circular of the Company dated 30 October 2015;

- (e) a deed of termination dated 24 March 2016 entered into between the Company and Tianrui Group Company to terminate the Terminated Acquisition Agreement, pursuant to which all antecedent obligations and liabilities of the parties under the Terminated Acquisition Agreement shall be absolutely discharged and released in all aspects with immediate effect and neither the Company nor the Tianrui Group Company would have any claim against the other under the Terminated Acquisition Agreement, details of which is set out in the announcement of the Company dated 24 March 2016;
- (f) 2016 Acquisition Agreement entered into between the Company and Tianrui Group Company on 25 November 2016, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares at a total consideration of RMB919,000,000. The Sale Shares represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The Acquisition has been completed on 7 June 2017, the details of which is set out in the announcement of the Company dated 7 June 2017;
- (g) 2016 Clinker Supply Framework Agreement, being the clinker supply framework agreement dated 30 December 2016 entered into between Tianrui Cement and Ruiping Shilon, 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 30 December 2016;
- (h) 2017 Framework Agreement, being the framework agreement dated 11 May 2017, entered into between Tianrui Group Company, Tianrui Cement and the Company, pursuant to which the parties 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; and
- (i) 2017 Counter Guarantee Agreement, being the counter guarantee agreement dated 11 May 2017, entered into between the Company and Chairman Li, pursuant to which Chairman Li has agreed to indemnify the Company for any amount becomes payable by the Company or its subsidiaries in relation to the Company Guarantee, 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 and Ms. Ng Ching Mei.
- (b) The registered office of the Company is situated at Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company is at No. 63 Guangcheng Road East, Ruzhou City, Henan Province, PRC.

- (c) The place of business in Hong Kong of the Company registered under Part 16 of the Companies Ordinance (Cap 622) is at Room 2005A, 20/F., Lippo Centre Tower 2, 89 Queensway, Admiralty, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

13. DOCUMENTS FOR INSPECTION

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

- (a) the articles of association of the Company;
- (b) the prospectus of the Company dated 14 December 2011 and the annual reports of the Company for the five years ended 31 December 2012, 2013, 2014, 2015 and 2016;
- (c) the material contracts referred to in the paragraph above headed “Material Contracts” in this Appendix;
- (d) 2017 Framework Agreement;
- (e) 2017 Counter Guarantee Agreement;
- (f) letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from TC Capital International Limited, the text of which is set out in this circular; and
- (h) the written consent of TC Capital International Limited referred to in the paragraph headed “Qualification and Consent of Expert” above.

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1252)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “EGM”) of China Tianrui Group Cement Company Limited (the “Company”) will be held at 2:30 p.m. on 8 August 2017 at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT

- (i) the form and substance of the 2017 Framework Agreement dated 11 May 2017 (a copy of which is tabled at the EGM and signed by the chairman of the meeting for identification purpose) entered into between the Company, 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 “**2017 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 2017 Framework Agreement and the Company Guarantee Agreement and the transactions contemplated thereunder or incidental to the 2017 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

Ruzhou City, Henan Province, PRC, 19 July, 2017

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (a) The register of members of the Company will be closed from Thursday, 3 August 2017 to Tuesday, 8 August 2017 (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 Wednesday, 2 August 2017.
- (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, 181 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. Xu Wuxue, Mr. Li Jiangming and Mr. Ding Jifeng

Non-executive Directors

Mr. Li Heping and Mr. Yang Yongzheng

Independent non-executive Directors

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