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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
AND
MAJOR TRANSACTION
IN RELATION TO THE 2019 FRAMEWORK AGREEMENT:
PROVISION OF MUTUAL GUARANTEES**

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

CLC International Limited

A letter from the Board is set out on pages 4 to 18 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 19 to 20 of this circular.

A letter from CLC International Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 21 to 37 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 2:30 p.m. on 27 December 2019 at 14/F Fairmont House, 8 Cotton Tree Drive, Central, Hong Kong is set out on pages EGM-1 to EGM-2 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.

5 December 2019

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DEFINITIONS

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

“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
“2019 Framework Agreement”	the agreement dated 8 November 2019, 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 2019 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
“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 (including its subsidiaries but, excluding its subsidiaries engaged in aluminum-related business) pursuant to the 2019 Framework Agreement or the 2017 Framework Agreement (as the context requires)
“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

DEFINITIONS

“Counter Guarantee Agreement”	the agreement dated 8 November 2019 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
“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 2019 Framework Agreement and the Annual Caps
“Group”	the Company and its subsidiaries
“Guarantees”	the Tianrui Group Guarantee and the Company Guarantee
“Independent Board Committee”	a Board committee comprising all the independent non-executive Directors
“Independent Financial Adviser” or “CLC International Limited”	CLC International Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the 2019 Framework Agreement
“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	2 December 2019, being the latest date for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Li”	Ms. Li Fengluan, the spouse of Chairman Li and an executive Director of the Company
“PRC”	the People’s Republic of China
“RMB”	Renminbi, the lawful currency of the PRC
“Shareholders”	shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules

DEFINITIONS

“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the 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 the Company (including its subsidiaries) pursuant to the 2019 Framework Agreement
“%”	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:

Ms. Li Fengluan

Mr. Xu Wuxue

Mr. Li Jiangming

Mr. Ding Jifeng

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

Place of Business in Hong Kong:

Room 2005A, 20/F, Lippo Centre Tower 2

89 Queensway, Admiralty

Hong Kong

5 December 2019

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION
MAJOR TRANSACTION
2019 FRAMEWORK AGREEMENT IN RELATION
TO PROVISION OF MUTUAL GUARANTEES

INTRODUCTION

Reference is made to the Company's announcement dated 8 November 2019 in relation to the major and continuing connected transactions contemplated under the 2019 Framework Agreement.

LETTER FROM THE BOARD

Pursuant to the Listing Rules, the Company Guarantee contemplated under the 2019 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 2019 Framework Agreement and the transactions contemplated thereunder; (ii) a letter from the Independent Board Committee; (iii) a letter from CLC International Limited (the Independent Financial Adviser) to the Independent Board Committee and the Independent Shareholders; and (iv) a notice convening the EGM.

MAJOR TERMS OF THE 2019 FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

I. Major Terms of the 2019 Framework Agreement

The terms of the 2019 Framework Agreement are materially the same as the 2017 Framework Agreement.

1. Date

8 November 2019 (after trading hours)

2. Effective Period

The 2019 Framework Agreement shall be effective for a term from 1 January 2020 to 31 December 2022 (the "**Term**"), subject to all the conditions precedent (including Independent Shareholders' approval) thereto being fulfilled. For the avoidance of doubt, the 2017 Framework Agreement shall continue to be effective up to 31 December 2019.

3. Parties

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

4. Mutual Guarantee

(a) Tianrui Group Guarantee

Pursuant to the 2019 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.

LETTER FROM THE BOARD

(b) Company Guarantee

Pursuant to the same 2019 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 a subsidiary of Tianrui Group Company for the purpose of the 2019 Framework Agreement.

The provision of the Guarantees by each party under the 2019 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, it will also be subject to the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2019 Framework Agreement. For further details, please refer to the section headed "Risk Management Measures under the 2019 Framework Agreement" in this circular.

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 2019 Framework Agreement.

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

LETTER FROM THE BOARD

Pursuant to the 2019 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 2019 Framework Agreement; and
- (ii) the 2019 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 2019 Framework Agreement are set out as follows:

	Year ending 31 December		
	2020	2021	2022
	<i>RMB (million)</i>	<i>RMB (million)</i>	<i>RMB (million)</i>
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 provided in the 2019 Framework Agreement are the same as the annual caps under the 2017 Framework Agreement. Under the 2017 Framework Agreement, the maximum daily balance of the Company Guarantee are RMB3,000 million for each of the three years ending 31 December 2019 respectively, and the maximum balance of the Tianrui Group Guarantee are RMB7,000 million for each of the three years ending 31 December 2019 respectively.

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 RMB1,576 million secured by Company Guarantee as of 31 October 2019; and

LETTER FROM THE BOARD

- (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 RMB1,424 million in bank facilities will be required to finance fixed assets investments in relation to its tourism, energy and other businesses.

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 the borrowings of approximately RMB2,461 million which has been secured by Tianrui Group Guarantee as of 31 October 2019; and
- (b) the Group's possible needs for approximately RMB4,539 million to finance fixed assets investments, business acquisition, production improvement, by-product expansion and general working capital during the Term.

The terms of the 2019 Framework Agreement remain materially the same as the 2017 Framework Agreement.

	Annual Caps under 2017 Framework Agreement	Annual Caps under 2019 Framework Agreement
Company Guarantee	Maximum daily balance not exceeding RMB3,000 million during the term from 8 August 2017 to 31 December 2019	Maximum daily balance not exceeding RMB3,000 million during the term from 1 January 2020 to 31 December 2022
Tianrui Group Guarantee	Maximum daily balance of RMB7,000 million during the term from 8 August 2017 to 31 December 2019	Maximum daily balance of RMB7,000 million during the term from 1 January 2020 to 31 December 2022

Note: the 2017 Framework Agreement was approved in the extraordinary general meeting of the Company on 8 August 2017.

LETTER FROM THE BOARD

II. Counter Guarantee

On 8 November 2019 (after trading hours), Chairman Li, entered into the 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.

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 2019 Framework Agreement is identical in nature as Chairman Li's counter guarantee arrangement for the 2017 Framework Agreement.

REASONS FOR AND BENEFITS OF THE 2019 FRAMEWORK AGREEMENT

The 2019 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. Accordingly, financial institutions in the PRC have implemented tightened risk control measures, which require borrowers to extend or provide additional guarantees before granting loans.

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- (b) The historical utilization of the Tianrui Group Guarantee is greater than that of the Company Guarantee. As at 31 October 2019, the outstanding balance of the Company Guarantee is approximately RMB1,576 million while the Tianrui Group Guarantee is approximately RMB2,461 million. During the term of 2017 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 Company Guarantee under the 2017 Framework Agreement. The guaranteed amounts under the Tianrui Group Guarantee and the Company Guarantee as of 31 December 2017, 31 December 2018 and 31 October 2019 are as follows:

	As of		
	31 December 2017	31 December 2018	31 October 2019
	<i>(RMB million)</i>	<i>(RMB million)</i>	<i>(RMB million)</i>
Company Guarantee	1,710	1,710	1,576
Tianrui Group Guarantee	4,056	3,536	2,461

The highest daily balance of Company Guarantee are RMB1,710million, RMB1,710 million and RMB1,576 million during the year ended 31 December 2017 and 2018, and the ten months ended 31 October 2019 respectively.

The highest daily balance of Tianrui Group Guarantee are RMB4,056 million, RMB3,536 million and RMB3,873 million during the year ended 31 December 2017 and 2018, and the ten months ended 31 October 2019 respectively.

- (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 Guarantee is being provided for additional credit support. Furthermore,

LETTER FROM THE BOARD

Tianrui Group Company, by entering into the 2019 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 2019 Framework Agreement;
 - (iii) the Company will not provide a guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. The Company is of the view that Tianrui Group Company's aluminum related business is uncertain and has been affected by the unfavorable market condition in recent years. 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;

(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 line with the 2017 Framework Agreement, the Company has, together with Tianrui Cement as a party to the agreement, formulated the agreement and entered into the 2019 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, manage foreign exchange risk 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 premium 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.

RISK MANAGEMENT MEASURES UNDER THE 2019 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 comprising not less than three Directors and the majority of the committee members shall be independent non-executive Directors. The special committee shall, during the Term:

- (a) review and approve each Company Guarantee. The special committee has the right to fully understand the business operations and financial position of the borrower before approving each Company Guarantee. It would not constitute a breach of the 2019 Framework Agreement if, after a review of the financial position of the borrower, the special committee considers it inappropriate to approve such guarantee. To facilitate such review process, Tianrui Group Company and its subsidiaries shall promptly provide their financial statements and other relevant information as requested by the special committee. The special committee will take into account the following factors when approving such guarantee:
 - (i) no guarantee should be granted to a borrower with negative consolidated equity attributable to owners;
 - (ii) no guarantee should be granted to a borrower operating in aluminum-related business; and

LETTER FROM THE BOARD

- (iii) no guarantee should be granted to a borrower where an event occurs that may constitute an event of default under any of its existing loan agreements;
- (b) monitor the implementation of each individual guarantee provided by the Company under the 2019 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 2019 Framework Agreement; and
- (g) periodically review and examine any material adverse change in foreign exchange risk and the policy risk under the 2019 Framework Agreement.

The risk management measures for the 2019 Framework Agreement remains the same as that for the 2017 Framework Agreement.

The Directors (including the independent non-executive Directors after considering the advice from the Independent Financial Adviser) are of the view that the terms of the 2019 Framework Agreement, although are not in the ordinary and usual course of business, but 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.

EFFECT OF THE TRANSACTIONS ON THE FINANCIAL POSITION OF THE GROUP

Unless the Company Guarantee becomes enforceable and Chairman Li fails to honour his obligation under the Counter Guarantee, otherwise, there should not be actual economic benefits outflow from the Company as a result of the discharge of the obligations of the Company under the 2019 Framework Agreement. Further, 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 the Company Guarantee. The Directors are of the view that the financial position of Tianrui Group Company as set out in the section headed "Financial Information of Tianrui Group Company" is reasonably healthy. The Directors are of the view that it is unlikely for the Company Guarantee to become enforceable because (1) the proposed maximum daily balance of Company Guarantee under the 2019 Framework Agreement is RMB 3,000 million which is less than Tianrui Group Company's net assets of

LETTER FROM THE BOARD

RMB35,609 million and cash and bank balances of RMB4,682 million as of 31 December 2018; and (2) there has never been default of any loans guaranteed by the Company Guarantee under the 2017 Framework Agreement. The Directors are also of the view that, even if the Company Guarantee becomes enforceable, it is unlikely for Chairman Li to fail to honour the obligations under the Counter Guarantee because (1) according to 2019 Forbes The World's Billionaires List published by Forbes, Chairman Li and his family ranked No. 877 with a net asset value of approximately US\$2,600 million, rising from the ranking of No. 1795 in 2017, which is well beyond the maximum daily balance of RMB3,000 million under the Company Guarantee; and (2) Chairman Li and Ms. Li indirectly held approximately 69.58% issued shares of the Company, and hence Chairman Li would also indirectly suffer loss as a shareholder if the Company Guarantee becomes enforceable. On the assumption that it is unlikely for the Company Guarantee to become enforceable while Chairman Li would also fail to honour his obligation under the Counter Guarantee, the Directors believe that the 2019 Framework Agreement is unlikely 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.

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 IFRS 15 Revenue from Contracts with Customers.

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 69.58% shareholding in the Company and is hence the controlling shareholder of the Company.

LETTER FROM THE BOARD

Tianrui Group Company is therefore a connected person of the Company. Therefore, the transactions contemplated under the 2019 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 25% but all applicable percentage ratios are less than 75%, the Company Guarantee constitutes a major transaction under 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 (the daily maximum balance not exceeding RMB3,000 million for each of the three years ending 31 December 2022) of Company Guarantee 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 is provided to the Group on normal commercial terms or better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Tianrui Group Guarantee is exempted from reporting, announcement and Independent Shareholders' approval requirements according to Rule 14A.90 of the Listing Rules.

Counter Guarantee

On 8 November 2019 (after trading hours), Chairman Li, the ultimate controlling shareholder of the Tianrui Group Company, entered into the 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, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bonds.

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

BOARD'S APPROVAL

Save for Chairman Li, Ms. Li and Mr. Li Jiangming, who is the brother of Ms. Li, all of the Directors have confirmed that none of them has any material interest in the 2019 Framework Agreement; and therefore no Director (except Chairman Li, Ms. Li and Mr. Li Jiangming) is required to abstain from voting at the meeting of the Board to approve the 2019 Framework Agreement.

LETTER FROM THE BOARD

EGM

The EGM will be held for the Independent Shareholders to consider and, if thought fit, approve the 2019 Framework Agreement and the transactions contemplated thereunder.

In accordance with the Listing Rules, any shareholder with a material interest in the 2019 Framework Agreement and his close associates shall abstain from voting at the EGM, accordingly Yu Kuo Company Limited, which holds a total of 69.58% Shares of the Company as at the Latest Practicable Date and is ultimately controlled by Chairman Li and Ms. Li, being connected persons of the Company and having material interests in the 2019 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 2019 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 2018		For the year ended 31 December 2017	
	<i>RMB'000</i>		<i>RMB'000</i>	
	(audited)		(audited)	
	Tianrui Group		Tianrui Group	
	Company	Company	Company	Company
Revenue	18,681,473	10,060,647	15,922,878	8,420,551
Profit before tax	2,575,639	1,742,572	1,832,196	1,354,025
Net profit (after tax)	2,021,394	1,251,810	1,406,584	992,770
Net cash from operating	4,668,498	4,103,995	3,032,632	1,143,526
Cash and bank balances	4,681,723	711,797	4,163,302	830,744
Total assets	70,922,491	28,553,706	68,805,236	25,904,081
Total liabilities	35,313,204	17,474,586	34,916,772	15,968,310
Net assets	35,609,287	11,079,120	33,888,464	9,935,771
Contingent liabilities				
<i>(Notes 2 & 3)</i>	—	1,275,770	—	1,710,000
Utilised banking facilities				
<i>(Note 4)</i>	11,818,077	7,166,472	11,644,270	6,457,085

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 Company Guarantee.

LETTER FROM THE BOARD

Note 3: The outstanding amounts borrowed by the Company and secured by Tianrui Group Guarantee is approximately RMB2,461 million as at 31 October 2019. 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 Company 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 2017 and 31 December 2018 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 Ms. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

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

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 19 to 20 of this circular and the letter of advice from CLC International Limited to the Independent Board Committee and the Independent Shareholders set out on pages 21 to 37 of this circular in connection with the Company Guarantee under the 2019 Framework Agreement and the proposed annual caps for a term from 1 January 2020 to 31 December 2022 and the principal factors and reasons considered by CLC International Limited in arriving at such advice respectively.

The Independent Board Committee, having taken into account the advice of CLC International Limited, considers that the Company Guarantee contemplated under the 2019 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 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 2019 Framework Agreement and the Company Guarantee contemplated thereunder and the Annual Caps at the EGM as set out in the notice of the EGM.

LETTER FROM THE BOARD

CLOSURE OF REGISTER OF MEMBERS

For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 20 December 2019 to Friday, 27 December 2019, both days inclusive, during which period no transfer of Shares will be effected. In order to qualify for the entitlement to attend and vote at the EGM, all transfers accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch 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 Thursday, 19 December 2019.

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

5 December 2019

To the Shareholders

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION
MAJOR TRANSACTION
2019 FRAMEWORK AGREEMENT IN RELATION
TO PROVISION OF MUTUAL GUARANTEES

We refer to the circular of the Company dated 5 December 2019 (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 2019 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 2019 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 2019 Framework Agreement and the advice of CLC International Limited in relation to the Company Guarantee under the 2019 Framework Agreement and the proposed annual caps for a term from 1 January 2020 to 31 December 2022 as set out on pages 21 to 37 of the Circular, we are of the opinion that the Company Guarantee under 2019 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 Guarantee

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Annual Caps provided in the 2019 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 2019 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 CLC INTERNATIONAL LIMITED

The following is the full text of a letter of advice from CLC International Limited, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular, setting out its advice to the Independent Board Committee and the Independent Shareholders on the Company Guarantee under the 2019 Framework Agreement and the Company Guarantee Annual Caps for a term from 1 January 2020 to 31 December 2022.



5 December 2019

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

Dear Sir or Madam,

CONTINUING CONNECTED TRANSACTION AND MAJOR TRANSACTION IN RELATION TO THE 2019 FRAMEWORK AGREEMENT PROVISION OF MUTUAL GUARANTEES

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 2019 Framework Agreement and the proposed annual caps for a term from 1 January 2020 to 31 December 2022 (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 5 December 2019 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 2017 Framework Agreement, Tianrui Cement, a wholly-owned subsidiary of the Company, agreed to provide guarantee (the “**Tianrui Cement Guarantee**”) to Tianrui Group Company (including its subsidiaries but excluding its subsidiaries engaged in aluminium-related business) and Tianrui Group Company agreed to provide guarantees to Tianrui Cement (including its subsidiaries), directly by themselves or through their subsidiaries, with respect to each other (inclusive of their subsidiaries) for bank loans to be borrowed and/or debentures or corporate bonds to be issued by them for a term up to 31 December 2019.

LETTER FROM CLC INTERNATIONAL LIMITED

As the 2017 Framework Agreement will expire on 31 December 2019, the Company has entered into the 2019 Framework Agreement with Tianrui Group Company and Tianrui Cement on 8 November 2019, pursuant to which 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 1 January 2020 to 31 December 2022, subject to the Annual Caps for the Tianrui Group Guarantee and the Company Guarantee. 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 2019 Framework Agreement.

As at the date of this Circular, Tianrui Group Company is owned as to 70% by Chairman Li, and Tianrui Group Company also indirectly holds approximately 69.58% shareholding in the Company. Tianrui Group Company is the controlling shareholder of the Company, and as one or more of the applicable percentage ratios as defined in the Listing Rules with respect to the Company Guarantee exceed 25% but all applicable percentage ratios are less than 75%, the Company Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules and a continuing connected transaction under Chapter 14A of the Listing Rules. Therefore, the Company Guarantee is subject to the reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

As the amount of the Company Guarantee Annual Caps (daily maximum balance not exceeding RMB3,000 million for each of the three years ending 31 December 2022) exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of the Company Guarantee is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, has been established to give advice and recommendation to the Independent Shareholders in respect of the terms of the 2019 Framework Agreement and the transactions contemplated thereunder, including the Company Guarantee 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 2019 Framework Agreement and the Company Guarantee Annual Caps. 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 2019 Framework Agreement and the Company Guarantee Annual Caps.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any relationships or interest with the Company or any other parties that could reasonably be regarded as relevant to our independence. In October 2019, we acted as the independent financial adviser to a continuing connected transaction in relation to adjusted annual caps for clinker framework agreement as detailed in the circular of the Company dated 30 October 2019. Apart from normal professional fees payable to us in connection with such appointment as the independent financial adviser to the independent board committee and the independent shareholders, no arrangement exists or their respective substantial shareholders or associations. The advisory fees related to the adjusted annual caps for clinker framework agreement had been fully settled.

Based on the information available to us and our internal review, we do not have any relationships or interests between the Company and us or any other parties that would reasonably be regarded as hindrance to our independence as defined under Rule 13.84 of the Listing Rule. Accordingly, we confirm that we are independent to act as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2019 Framework Agreement and the Company Guarantee Annual Caps.

BASIS OF OUR OPINION

In arriving at our opinions and recommendations, we have relied on the statements, information and representations contained in (i) the Circular; (ii) the annual reports of the Company for the two years ended 31 December 2018 (the “**2017 Annual Report**” and “**2018 Annual Report**”, respectively); and (iii) the audited annual reports of Tianrui Group Company for the two years ended 31 December 2018; 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 Latest Practicable Date 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 in the Circular 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 Company.

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 2019 Framework Agreement

a. Information of The Group

The Group is a leading clinker and cement producer in Henan and Liaoning provinces, the PRC. The principal businesses of the Group are carried by Tianrui Cement and its subsidiaries and range from excavation of limestone to production, sales and distribution of clinker and cement.

b. Information of Tianrui Cement

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

As Tianrui Cement is not a banking company (as defined in Chapter 14A of the Listing Rules), the entering into the 2019 Framework Agreement is not in the ordinary and usual course of business (as defined in Chapter 14A of the Listing Rules) of the Group.

c. Information of 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 Ms. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business.

We note that the Company and China Shanshui Cement Group Limited (“**China Shanshui Cement**”) respectively made an announcement on 8 June 2017 and 2 June 2017, in relation to a legal action arisen by shareholders of China Shanshui Cement in relation to certain claims regarding China Shanshui Cement (the “**Action**”). In the Action, there are 17 respondents including Tianrui Group Company and Chairman Li. According to the legal opinion in regard to the Action obtained by the Company on 21 June 2017, the legal advisor advised that the petition did not appear to have substantive ground and thus was unlikely to have any material impact on Chairman Li and Tianrui Group Company, and Chairman Li and Tianrui Group Company had a better chance of success in the Action.

The legal advisors, amongst other things, took the view that there were serious procedural issues in the petition, including (i) the petitioners’ claim for relief was the damages for the depreciated market value of the shares of China Shanshui Cement as a result of unfair prejudice. The petitioners however did not have the right to claim for depreciated market value of the shares unless they claimed through China Shanshui

LETTER FROM CLC INTERNATIONAL LIMITED

Cement. In such event, the claim should be initiated through a derivative proceeding; (ii) in relation to the unfair prejudice petition as a derivative proceeding, such proceeding required prior consent from the Cayman local court. Based on their analysis of the facts and allegations, the legal advisors considered that it was unlikely for the Cayman local court to consent to such derivative proceeding.

The petition did not specify a monetary amount for the claim of loss, and therefore, there is no basis to fairly estimate the maximum monetary exposure, if any, that could be borne by Chairman Li and Tianrui Group Company. As advised by the management of the Company, there has been no further update in relation to the Action 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 two years ended 31 December 2018 (“FY2017” and “FY2018” respectively):

		For the year ended	
		31 December	
		2018	2017
	<i>Notes</i>	<i>RMB'000</i>	<i>RMB'000</i>
		(audited)	(audited)
Revenue		18,681,473.4	15,922,877.5
Earnings Before Interest & Tax (“ EBIT ”)		4,209,416.5	3,402,136.0
Finance costs		1,633,778.0	1,569,940.5
Net profit		2,021,394.0	1,406,583.6
Net cash from operation		4,668,498.2	3,032,632.1
 Financial ratios			
Net margin (%)	1	10.8%	8.8%
EBIT margin (%)	2	22.5%	21.4%
Interest coverage (<i>times</i>)	3	2.6	2.2

Notes:

1. Net margin is calculated by the profit for the year divided by revenue for the respective year and multiplied by 100%.
2. EBIT margin is calculated by the EBIT for the year divided by revenue for the respective year and multiplied by 100%.
3. Interest coverage is calculated by EBIT for the year divided by finance costs for the respective year and multiplied by 100%.

LETTER FROM CLC INTERNATIONAL LIMITED

		As at 31 December	
		2018	2017
<i>Notes</i>		<i>RMB'000</i>	<i>RMB'000</i>
		(audited)	(audited)
Cash and cash equivalent		4,681,722.8	4,163,302.7
Current assets		17,386,614.8	15,236,563.7
Non-current assets		53,535,876.3	53,568,672.1
Total assets		70,922,491.1	68,805,235.8
Current liabilities		18,302,337.6	19,306,426.3
Net current liabilities		915,722.7	4,069,862.6
Non-current liabilities		17,010,866.0	15,610,346.1
Total liabilities		35,313,203.6	34,916,772.4
Net assets		35,609,287.5	33,888,463.4
Financial ratios			
Current ratio (<i>times</i>)	1	1.0	0.8
Total liabilities to total equity (%)		99.2%	103.0%

Note:

1. Current ratio is calculated by the current assets divided by the current liability as at the respective year end.

As shown in the above tables and advised by the management of the Company, the revenue of Tianrui Group Company increased from approximately RMB15,922.9 million for FY2017 to approximately 18,681.5 million for FY2018. The increase in revenue was mainly due to an increase in the revenue from sale of cement and other business, including but not limited to the coal coking business. The net profit of Tianrui Group Company increased from approximately RMB1,406.6 million for FY2017 to approximately 2,021.4 million for FY2018. The increase in net profit was mainly due to an increase in the revenue as described above. Net margin of Tianrui Group Company increased from approximately 8.8% for FY2017 to approximately 10.8% for FY2018. The increase in net margin was mainly due to an increase in profitability for the sale of cement and the coal coking business. The EBIT margin of Tianrui Group Company increased from approximately 21.4% to approximately 22.5% for FY2018, which was mainly due to an increase in profitability as described above. The interest coverage of Tianrui Group Company increased from approximately 2.2 for FY2017 to approximately 2.6 for FY2018. The increase in interest coverage was mainly due to a combination of increase in revenue and decrease in debt outstanding.

The cash and cash equivalent of Tianrui Group Company increased from approximately RMB4,163.3 million as at 31 December 2017 to approximately RMB4,681.7 million as at 31 December 2018, which was mainly due to an increase in profit as described earlier. The net current liabilities of Tianrui Group Company decreased from approximately RMB4,069.9 million as at 31 December 2017 to approximately RMB915.7 million, which was mainly due to a combination of bonds repayment of

LETTER FROM CLC INTERNATIONAL LIMITED

approximately RMB2,700 million and increase in retained earnings. The total liabilities to total equity ratio of Tianrui Group Company decreased from approximately 103.0% as at 31 December 2017 to approximately 99.2% as at 31 December 2018, which was mainly due to a combination of increase in retained earnings and decrease in debt outstanding after repayment of the bonds as described above.

According to the Rating Tracking Report (跟蹤評級公告) dated 21 June 2019 issued by the 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. As stated in the Letter from the Board, 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 150th in 2018 and 216th in 2019, respectively.

Although there was an action which involved Tianrui Group Company, the Company has obtained a legal opinion confirming that the petition did not appear to have substantive ground and thus was unlikely to have any material impact on Chairman Li and Tianrui Group Company. As stated in the section headed "Risk Management Measures under the 2019 Framework Agreement" in the Letter from the Board, the Company will make sure no material adverse events or litigation issues will substantially affect the financial and operation of Tianrui Group Company and its subsidiaries in approving each Company Guarantee.

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 considering 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, current ratio, and total liabilities to total equity ratio, of Tianrui Group Company for the, and as at, the two years ended 31 December 2018 as stated above; (ii) reviewed the Rating Tracking Report issued by the China Lianhe Credit Rating Co., Ltd., which rated Tianrui Group Company in AA credit rating; and (iii) reviewed the list of yearly top 500 private enterprises in the PRC, published by the All-China Federation of Industry & Commerce (中華全國工商業聯合會), and Tianrui Group Company was ranked 150th in 2018 and 216th in 2019 respectively. Based on the information we have reviewed, we have no reason to believe that Tianrui Group Company will be unable 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. Principal terms of the 2019 Framework Agreement

The principal terms of the 2019 Framework Agreement have been set out in the Letter from the Board and are summarised below.

(a) Date

8 November 2019 (after trading hours)

(b) Effective Period

The 2019 Framework Agreement shall be effective for a term from 1 January 2020 to 31 December 2022 (the “**Term**”), subject to all the conditions precedent (including Independent Shareholders’ approval) being fulfilled.

(c) Parties

- i. The Company;
- ii. Tianrui Cement; and
- iii. Tianrui Group Company

(d) Mutual Guarantee

Tianrui Group Company has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to 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 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 loans, debentures or corporate bonds, any interests, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bonds. 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 2019 Framework

LETTER FROM CLC INTERNATIONAL LIMITED

Agreement, while the Company is not obliged to make any counter guarantee for the guarantee provided by Tianrui Group Company. In addition, Chairman Li does not charge any fees in relation to the Counter Guarantee.

According to 2019 Forbes The World's Billionaires List (2019福布斯全球億萬富豪榜) published by Forbes, Chairman Li and his family ranked No. 877 with a net asset value of approximately US\$2,600 million, raising from the ranking of No. 1795 in 2017. 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 the net asset value of approximately US\$2,600 million of Chairman Li and his family as stated in the 2019 Forbes The World's Billionaires List.

As at the Latest Practicable Date, Chairman Li and Ms. Li indirectly hold interests in various companies listed in Hong Kong, including but not limited to the interest in the Company (1252.HK) and China Shanshui Cement (691.HK), details of the interest in the above companies held by Chairman Li and Ms. Li are set out below. Shareholders should note that, we obtained the information from public record, and it does not represent an exhaustive list of the assets owned by Chairman Li.

Name of Company	Total Shares		Pledged shares	Shares without the Pledged Shares (the "Relevant Shares")	
	Number	Market Value <i>HK\$' million</i> <i>(Note 1)</i>		Number	Market Value <i>HK\$' million</i> <i>(Note 1)</i>
The Company (1252.HK)	1,986,984,822	13,730.1	859,247,000 <i>(Note 2)</i>	1,127,737,822	7,792.7
China Shanshui Cement (691.HK)	951,462,000	2,407.2	791,000,000 <i>(Note 3)</i>	160,462,000	406.0
Total		<u>16,137.3</u>			<u>8,198.6</u>

Notes:

- The market value of the shares is based on the closing prices of the shares as at 13 November 2019.
- As at 30 June 2019, Yu Kuo pledged its 859,247,000 shares (approximately 29.24% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.
- On 22 March 2016, Tianrui Group Company Limited, the substantial shareholder of China Shanshui Cement, notified China Shanshui Cement that it has pledged 791,000,000 shares of China Shanshui Cement in favor of China Bohai Bank for a bank loan.

LETTER FROM CLC INTERNATIONAL LIMITED

Although we have not reviewed all the assets owned by Chairman Li, we note that the market value of the Relevant Shares being approximately HK\$8,198.6 million based on the closing price of the Group on 13 November 2019 is well beyond the guarantee amount of RMB3,000 million under the Company Guarantee. Furthermore, we obtained a confirmation provided by Chairman Li and Ms. Li confirming that they have no material liabilities and their net asset position is not less than HK\$8,200 million. On this basis, we believe that Chairman Li is able to fulfil his obligation under the Counter Guarantee.

The provision of the Guarantees by each party under the 2019 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, it will also be subjected to the review and approval of a special committee established by the Board for monitoring the risk control and management in relation to the 2019 Framework Agreement. For further details, please refer to the section headed "Risk Management Measures under the 2019 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 utilisation amounts and the annual caps under the Tianrui Group Guarantee is greater than that under the Company Guarantee and the 2019 Framework Agreement stated that the utilisation amount of the Tianrui Group Guarantee should be greater than the utilisation amounts of the Company Guarantee during the term of the 2019 Framework Agreement, 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 commissions are payable. As such, we concur that the 2019 Framework Agreement on a no commission and no security basis is reasonable and in the interests of the Company and its Shareholders as a whole.

3. Reasons and benefits for entering into the Company Guarantee

Details of the reason and benefits for entering into the 2019 Framework Agreement are set out in the section headed "Reasons for and Benefits of the 2019 Framework Agreement" in the Letter from the Board. In assessing whether 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 of 31 October 2019, approximately RMB2,461 million of guarantee amounts have been utilized by the Company under the Tianrui Group Guarantee. By entering into the 2019 Framework Agreement, the Company will continue to obtain banking

facilities guaranteed by Tianrui Group Company under the Tianrui Group Guarantee. The Directors viewed that, 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 finalise relevant loans and borrowings in a timely manner, which is important to the Group's implementation of its business expansion and performance improvement.

The maximum daily balance of the Tianrui Group Guarantee under the 2019 Framework Agreement is RMB7,000 million. Taking into account approximately RMB2,461 million of guarantee amounts have been utilised by the Company under the Tianrui Group Guarantee as of 31 October 2019, approximately RMB4,539 million will be available under the Tianrui Group Guarantee. As a result, we concur with the Directors' view that such unutilised amount would provide additional funds for the Company's operations.

Risk exposure associated with the Company Guarantee

As stated in the Letter from the Board, the Company has taken the following actions to limit the risk exposure of the Company in the Company Guarantee:

- (a) In the event that a 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 2019 Framework Agreement, has agreed to indemnify the Company for any amount payable in such situation, including the principal amount of the relevant loans, any interests, fees, damages and enforcement expenses for breach of the loan; and
- (b) 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 2019 Framework Agreement; and
- (c) The Company will not provide a guarantee to any of Tianrui Group Company's subsidiaries operating in aluminum-related business. The Company is of the view that Tianrui Group Company's aluminum-related business is uncertain and has been affected by unfavorable market condition in recent years. As such, the Company's exposure to the credit risk of Tianrui Group Company under the Company Guarantee will be minimised by carving out Tianrui Group Company's subsidiaries operating in aluminum-related business; and
- (d) Tianrui Group Company confirms that it does not have any repayment default in respect of any loan arrangements with banks as at the latest Practicable date. The financial position of Tianrui Group Company is

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reasonably healthy, certain particulars of which are set out in the section headed “Financial Information of Tianrui Group Company” in the Letter from the Board.

In light of the benefits enjoyed from the Tianrui Group Guarantee as mentioned above, we concur with the Directors’ 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 able to settle the liabilities arising from the loans obtained from the lenders under the Company Guarantees set out in the paragraph headed “Financial Information of Tianrui Group Company” in the Letter of the Board.

Historical amounts of guarantee under the 2017 Framework Agreement

Approximately RMB1,710 million, RMB1,710 million and RMB1,576 have been utilised under the Company Guarantee as of 31 December 2017, 2018, and 31 October 2019 respectively, which are less than the utilised amounts of the Tianrui Group Guarantee of approximately RMB4,056 million, RMB3,536 million and RMB2,461 million respectively. Given that the historical amounts guaranteed by the Company are less than the guarantee obtained from Tianrui Group Company, we concur with the Directors’ view that entering into the 2019 Framework Agreement is 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

In line with the 2017 Framework Agreement, the Company has, together with Tianrui Cement as a party to the agreement, formulated the agreement and entered into the 2019 Framework Agreement with Tianrui Group Company. The principal reasons are set out as follows:

- (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 a third-party guarantee before granting a loan. Accordingly, financial institutions in the PRC have implemented tightened risk control measures, which require borrowers to extend or provide additional guarantees before granting loans.
- (b) It has become increasingly common for banks in China to arrange cross-border financing such as offshore or onshore financing against domestic or overseas guarantee, which requires 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 costs, enlarge financing scale, manage foreign exchange risks or match cross-border funding needs.

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- (c) 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 premium compared to a private company.

Having considered the reasons set out in the Letter from the Board, we concur with the Directors' view that, entering into the 2019 Framework Agreement will continue to facilitate the operation and growth of the businesses of Tianrui Cement and Tianrui Group Company as both parties can secure sufficient funds for their operations. We also concur with the Directors' view that, entering into the 2019 Framework Agreement is in the interests of the Company and the Shareholders as a whole.

4. The Company Guarantee Annual Caps and their basis

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

	Year ending 31 December		
	2020	2021	2022
	RMB	RMB	RMB
	(million)	(million)	(million)
Maximum daily balance of the Company Guarantee	3,000	3,000	3,000

As stated in the Letter from the Board, the proposed Company Guarantee Annual Caps were determined by the Board after taking into consideration the following factors:

- (a) funding needs of Tianrui Group Company and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for current borrowings of approximately RMB1,576 million secured by the Company Guarantee as of 31 October 2019; 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 RMB1,424 million in bank facilities will be required to finance investments in relation to its tourism, energy, and other businesses.

The management of the Company advised that, during the Term, parts of the funding are used for refinancing the existing borrowings with an aggregate amount of approximately RMB1,576.0 million of Tianrui Group Company secured by the Company Guarantee.

The management of the Company advised that, Tianrui Group Company will maintain a moderate expansion in 2020 and 2021. Tianrui Group Company intends to spend approximately RMB500.0 million to invest in its tourism business to improve tourism

facilities, approximately RMB500.0 million to invest in its energy business for new products and approximately RMB424.0 million to invest 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 estimations, and they are fair and reasonable so far as the Company and the Independent Shareholders are concerned.

5. Risk management measures under the 2019 Framework Agreement

As stated in the Letter from the Board, in order to minimise 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 consists of 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 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 but not limited to the updated financial statements. Through these regular meetings, they can have the firsthand information about the financial situation of Tianrui Group Company. They will report any adverse situations or financial problems to the special committee and call for meetings, if necessary.

Since the execution of the 2017 Framework Agreement, no special situation was noted and therefore no special meeting was called so far. None of the Special Committee member is the employee of (except the Company) any company which is under control of Tianrui Group Company or Chairman Li, and therefore, minimise any potential conflict of interest. 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 note that the Special Committee will take into account the following factors when approving the Company to provide a guarantee under the Company Guarantee.

As advised by the management of the Company, to review and approve each and every Company Guarantee (irrespective of the quantum of the guarantees), the Office of the Board of Directors (董事會辦公室) and Finance Department will first confirm that the relevant annual cap has not been exceeded before passing it on to the Special Committee.

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 Special Committee will also review if there are any special issues for each case. All the Guarantees will be reviewed every three months after approval. It would not constitute a breach of the 2019 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

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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 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
- (v) No guarantee should be granted to a borrower with debt ratio higher than 75% or making loss for three consecutive years.

These factors could provide additional protections to the Company from the risk of default on the banking facilities guaranteed under the Company Guarantee.

In addition, we also note 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 2019 Framework Agreement; and (iii) to ensure 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 a breach.

The Special Committee periodically reviews the controls listed above through the following measures:

- (i) The committee members discuss and approve 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 will be sent to the committee members each quarter for review;
- (iii) Review meetings will be held every six months to revisit the performance of each guarantee. As advised by the management of the Company, since the execution of the 2017 Framework Agreement, review meetings were held on 28 August 2017, 20 August 2018 and 18 March 2019 and no special findings/exception were noted; and

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- (iv) Special meetings will be called once any material adverse events or situations are noted. As advised by the management of the Company, since the execution of the 2017 Framework Agreement, no such event was noted and therefore, no special meeting was called so far.

After the guarantee granted by the Group under the Company Guarantee, the Special Committee will periodically review the financial position, any material changes in business and operations of Tianrui Group Company and any material adverse event or litigation issues that will substantially affect the financials and operations of Tianrui Group Company and its subsidiaries.

We have obtained and reviewed the minutes of each review meeting dated 28 August 2017, 20 August 2018 and 18 March 2019. Based on our review of those minutes, we are satisfied that the Company has put in place risk management measures to ensure that the transaction is conducted fairly and reasonably.

In relation to the Action disclosed under paragraph 1 (c) above, the management of the Company advised that in the event where the Special Committee do find anything that will substantially affect the financial and operation of Tianrui Group Company arising from the Action, a special meeting will be called to assess the impact. The Special Committee will further obtain legal opinions, analyse the effect to the Company's operations, and to make recommendation to the Company and the management, including whether to approve the grant of guarantee under the Company Guarantee.

After taking into account of the Guidelines as mentioned above and the documents we have reviewed, 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 recognised as a liability in the consolidated financial statements of the Company, the specific value of which will be determined based on evaluation. The above liability will be amortised during the Term.

As stated in the 2017 Annual Reports and the 2018 Annual Reports, the financial guarantee contracts of the Group in relation to the guarantees provided by the Company to Tianrui Group Company of approximately RMB23.3 million and RMB18.6 million were recorded as current liabilities as at 31 December 2017 and 2018. The net asset values of the Group of approximately RMB9,935.8 million and RMB11,079.1 million were recorded as at 31 December 2017 and 2018. The outstanding balances of the guarantees provided by the Group to Tianrui Group Company were approximately RMB1,710.0 million and RMB1,710 million as at 31 December 2017 and 2018. The management of the Company advised that, for FY2017 and FY2018, approximately RMB9.6 million and RMB5.4 million respectively of the financial guarantee contract liabilities in relation to the guarantee provided by the Group to Tianrui Group Company were amortised and recorded as financial costs in the income statement.

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After considering the historical impact on the net asset value of the Group and the amortisation cost of the guarantees provided by the Group to Tianrui Group Company for FY2017 and FY2018, we concur with the Directors' view that, entering into the 2019 Framework Agreement is not likely to have a substantial impact on the financial position of the Group.

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 are 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
CLC International Limited
Wayne Su
Managing Director

Mr. Wayne Su is a licensed person registered with the Securities and Futures Commission and as a responsible officer of CLC International Limited to carry out type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities under the SFO and have over 10 years of experience in corporate finance industry.

1. FINANCIAL INFORMATION OF THE GROUP

The audited consolidated financial statements of the Company for the years ended 31 December 2016, 2017 and 2018 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2019 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 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019. Please see below the hyperlinks to the said annual and interim reports:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0426/ltn201904261290.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2018/0426/ltn201804262793.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2017/0427/ltn20170427515.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2019/0923/ltn20190923223.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business of 31 October 2019, 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 RMB10,595,293,658 comprising bank loans of RMB8,462,424,623 (bank loans include secured bank loans of approximately RMB4,314,455,035, which are secured by assets of the Group and shares of the Group's subsidiary; and unsecured bank loans of approximately RMB4,147,969,588, of which guaranteed bank borrowings are of approximately RMB3,287,969,588, unguaranteed bank loans are approximately RMB860,000,000).

The issued and outstanding short-term and medium-term bills which will mature within one year are of approximately RMB105,676,000, obligations under financial guarantee contract which will mature within one year are of approximately RMB15,535,677 and long-term corporate bonds which will mature after one year are of approximately RMB2,027,193,035. The total borrowing and bonds which will mature after one year are approximately RMB6,039,661,035.

The maximum daily balance for the guaranteed amount provided by the Group to Tianrui Group and its subsidiaries was RMB3,000 million for the year ended 31 December 2019. As at 31 October 2019, bank borrowings of approximately RMB1,576 million are secured by the guarantee provided by the Group to Tianrui Group. Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other contingent liabilities as at the close of business on 31 October 2019.

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 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 pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the “**Model Code**”) set out in Appendix 10 of the Listing Rules, were as follows:

Name of Director	Capacity/ Nature of interests	Total number of shares	Approximate percentage of shareholding (%)
Mr. Li ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58
Ms. Li ⁽¹⁾	Interest of corporation controlled by the director/Long position	2,044,484,822 ⁽²⁾	69.58

Notes:

- (1) Yu Kuo Company Limited (“**Yu Kuo**”) is 51.25% owned by Holy Eagle Company Limited (“**Holy Eagle**”) and 48.75% owned by Yu Qi Company Limited (“**Yu Qi**”) by equity interests. Each of Holy Eagle and Yu Qi are wholly owned by Tianrui (International) Holding Company Limited (“**Tianrui International**”), which is wholly owned by Tianrui Group Company. Tianrui Group Company is 70% owned by Chairman Li and 30% owned by Ms. Li Chairman Li and Ms. Li are deemed to be interested in the shares held by Yu Kuo.
- (2) As at the Latest Practicable Date, Yu Kuo pledged its 899,247,000 Shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans.

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.

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⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui Group	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Chairman Li	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
Ms. Li	Interest of corporation controlled by the substantial shareholder/ Long position ⁽¹⁾	2,044,484,822 ⁽²⁾	69.58
The Export-Import Bank of China	Party with security interest over the shares/Long position	315,000,000	10.72
Buttonwood Investment Holding Company Ltd	Interest of controlled corporation/Long position	315,000,000	10.72
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	Beneficial owner/Long position	237,600,000	8.09
China Huarong Asset Management Co., Ltd.	Interest of controlled corporation/Long position	420,747,000	14.32
China Huarong International Holdings Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Right Select International Limited	Interest of controlled corporation/Long position	300,000,000	10.21

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21
Haitong International Investment Solutions Limited	Party with security interest over the shares/Long position	167,000,000	5.68
Haitong International Holdings Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Haitong International Securities Group Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Haitong Securities Co., Limited	Interest of controlled corporation/Long position	167,000,000	5.68
Henan Jiuding Financial Leasing Co., Ltd	Party with security interest over the shares/Long position	200,000,000	6.81

Notes:

- (1) Yu Kuo is 51.25% and 48.75% owned by Holy Eagle and Yu Qi respectively by equity interests. Holy Eagle is wholly owned by Tianrui International, whereas Tianrui International is wholly owned by Tianrui Group. Tianrui Group is 70% and 30% owned by Chairman Li and Ms. Li respectively. Chairman Li, Ms. Li, Tianrui Group, Tianrui International, Holy Eagle and Yu Qi are respectively deemed to be interested in the shares held by Yu Kuo.
- (2) As at the Latest Practicable Date, Yu Kuo pledged its 899,247,000 Shares (approximately 30.60% of the issued share capital of the Company) held in the Company to financial institutions in order to secure loans for its own.

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, none 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 Ms. Li) 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 of the Company 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) representing approximately 21.85% 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 a 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.

4. MATERIAL 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 2018, 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 first half of 2019, the Group recorded a revenue of RMB5,494.7 million, an increase of RMB1,188.1 million or 27.6% compared to the same period in 2018. The profit attributable to owners of the Company amounted to RMB887.0 million, representing an increase of RMB336.2 million or 61.0% from approximately RMB550.8 million in the first six months of 2018. The Board remains cautiously optimistic of the full-year financial performance in 2019.

As one of the twelve nationally recognized major cement companies in China and one of the five cement companies designated by the Ministry of Industry and Information Technology, the Group is encouraged to undertake the integration of the cement market in the Central China region and to promote the integration of the cement industry. The government provides support to designated companies such as tax incentives and special projects or financing approvals. The Group will make full use of its policies and its own advantages, strengthen internal management, enhance refined management while optimizing production processes, increasing production utilization, and promoting regional market integration and synergy in order to seize new profit growth points, maintain and enhance the advantages of cost and scale to consolidate the leading market position in Henan and Liaoning.

The Group will further expand the scope of the unified purchase of materials, strengthen fine management, and improve the production efficiency, so that the Group can further reduce the unit production costs and then maintain our leading positions in other markets. The Group believes that maintaining and increasing the cost advantages will be beneficial for the Group. In order to expand its 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 2018 (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 agreement entered into between Ruiping Shilong and Tianrui Cement dated 1 April 2019 (the “**Existing Clinker Supply Agreement**”) and the clinker supply agreement entered into between Ruiping Shilong and Tianrui Cement dated 16 October 2019 (the “**New Clinker Supply Agreement**”), details of which have been disclosed in the announcement of the Company dated 7 April 2019 and the circular of the Company dated 31 October 2019 respectively; (ii) the deposit services agreement (the “**2017 Deposit Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 6 October 2017 and the financial services agreement (the “**2017 Financial Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 6 October 2017, details of which have been disclosed in the announcement of the Company dated 6 October 2017 and the circular of the Company dated 12 December 2017; (iii) the 2017 Framework Agreement the counter guarantee agreement (the “**2017 Counter Guarantee Agreement**”) entered into between the Company and Chairman Li dated 11 May 2017, details of which have been disclosed in the announcement of the Company dated 11 May 2017; and (iv) the deposit services agreement (the “**2019 Deposit Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 8 November 2019 and the financial services agreement (the “**2019 Financial Services Agreement**”) entered into between Tianrui Cement and Tianrui Finance dated 8 November 2019, details of which have been disclosed in the announcement of the Company dated 8 November 2019; and (v) 2017 Framework Agreement and 2019 Framework Agreement and Counter Guarantee Agreement, the salient details of which are set out in this circular.

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
CLC 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, CLC 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, CLC 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 2018 (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) 2019 Deposit Services Agreement as set out in the announcement of the Company dated 8 November 2019;
- (b) 2019 Financial Services Agreement as set out in the announcement of the Company dated 8 November 2019;
- (c) the Existing Clinker Supply Agreement, the details of which is set out in the announcement of the Company dated 7 April 2019;
- (d) the capital injection agreement dated 29 December 2018 entered into between CCB Financial Asset Investment Co., Ltd (建信金融資產投資有限公司) ("CCB"), Tianrui Cement and Tianrui Group Zhengzhou Cement Company Limited (天瑞集團鄭州水泥有限公司) (the "**First Target Company**"), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (e) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Dalian Tianrui Cement Company Limited (大連天瑞水泥有限公司) (the "**Second Target Company**"), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (f) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Tianrui Group Guangshan Cement Company Limited (天瑞集團光山水泥有限公司) (the "**Third Target Company**"), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;

- (g) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Weihui Shi Tianrui Cement Company Limited (衛輝市天瑞水泥有限公司) (the “**Fourth Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (h) the capital injection agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and Tianrui Group Ruzhou Cement Company Limited (天瑞集團汝州水泥有限公司) (the “**Fifth Target Company**”), details of which is set out in the announcements of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (i) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the First Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (j) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Second Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (k) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Third Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (l) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Fourth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (m) the share repurchase agreement dated 29 December 2018 entered into between CCB, Tianrui Cement and the Fifth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (n) the amendment agreement dated 31 May 2019 entered into between CCB, Tianrui Cement and the Fourth Target Company, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (o) the cancellation agreement dated 10 September 2019 entered into between CCB and Tianrui Cement, details of which is set out in the announcement of the Company dated 29 December 2018, 12 June 2019 and 10 September 2019;
- (p) the New Clinker Supply Agreement, the details of which is set out in the circular of the Company dated 31 October 2019; and

- (q) the 2019 Framework Agreement and Counter Guarantee Agreement, the details of which are set out in this circular.

12. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Li Jiangming 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 annual reports of the Company for the three years ended 31 December 2016, 2017 and 2018 and the interim report of the Company for the six months ended 30 June 2019;
- (c) the material contracts referred to in the paragraph above headed “**Material Contracts**” in this Appendix;
- (d) the 2019 Framework Agreement and the Counter Guarantee Agreement;
- (e) the letter from Board, the text of which is set out in this circular;
- (f) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (g) the letter from CLC International Limited, the text of which is set out in this circular;
- (h) the consent letter of CLC International Limited as referred to in the section headed “**Qualifications and Consent of Expert**” in this Appendix II; and
- (i) the circular of the Company dated 5 December 2019.

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 27 December 2019 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 2019 Framework Agreement dated 8 November 2019 (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 Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) (the “**2019 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 2019 Framework Agreement and the Company Guarantee Agreement (as defined in the circular of the Company dated 5 December 2019) and the transactions contemplated thereunder or incidental to the 2019 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, 5 December 2019

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

- (a) For determining the Shareholders who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, 20 December 2019 to Friday, 27 December 2019 (both dates inclusive), during which period no transfer of shares in the Company will be effected. In order to qualify for the entitlement to attend and vote at the EGM, all properly completed transfer forms accompanied by the relevant share certificates must be lodged with the Company's Hong Kong branch 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 Thursday, 19 December 2019.
- (b) Any shareholder of the Company entitled to attend and vote at the EGM is entitled to appoint one or more proxies to attend and vote on his behalf. A proxy need not be a shareholder of the Company. To be valid, a form of proxy in the prescribed form together with the power of attorney or other authority, if any, under which it is signed, or a notarially certified copy of such power or authority, must be deposited with the Company's share registrar, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time fixed for holding the EGM or any adjourned meeting.
- (c) In the case of joint holders of any share, any one of such joint holders may vote at the EGM, either in person or by proxy, in respect of such shares as if he were solely entitled thereto. However, if more than one of such joint holders is present at the EGM, in person or by proxy, the vote of the joint holder whose name stands first in the register of members and who tenders a vote, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint holder(s).
- (d) Completion and delivery of the form of proxy will not preclude a shareholder from attending and voting at the EGM if you so wish. In such event, the instrument appointing a proxy shall be deemed to be revoked.

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

Chairman and non-executive Director

Mr. Li Liufa

Executive Directors

Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming

Independent non-executive Directors

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