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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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If you are in doubt as to any aspect of this Circular or as to the action to be taken, you should consult a licensed securities dealer or registered institution in securities, bank manager, solicitor, professional 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 the transferee, or to the licensed securities dealer or registered institution in securities or other agent through whom the sale or transfer 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 TRANSACTIONS:**

- (1) 2021 CLINKER PURCHASE FRAMEWORK AGREEMENT**
- (2) 2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

**AND**

### **NOTICE OF EXTRAORDINARY GENERAL MEETING**

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



**東興證券(香港)**  
**DONGXING SECURITIES (HONG KONG)**

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A letter from the Board is set out on pages 4 to 13 of this Circular. A letter from the Independent Board Committee is set out on pages 14 to 15 of this Circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the independent Shareholders is set out on pages 16 to 30 of this Circular.

A notice convening the EGM to be held at the Conference Room, 11th Floor, Hailian Building, No. 20 Shangwu Wai Huan Road, Zhengdong Xin District, Zhengzhou City, Henan Province, PRC on Monday, 20 December 2021 at 10:30 a.m. is set out on pages EGM-1 to EGM-3 of this Circular.

A form of proxy for use in connection with the extraordinary general meeting is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited ([www.hkex.com.hk](http://www.hkex.com.hk)). Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 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.

3 December 2021

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## DEFINITIONS

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

“2014 Limestone Supply Framework Agreement”	the limestone supply agreement as disclosed in the circular of the Company dated 25 April 2014
“2017 Clinker Purchase Framework Agreement”	the clinker framework agreement dated 18 December 2017 entered into between Ruiping Shilong (as supplier) and Tianrui Cement (as purchaser), the details of which are set out in the announcement dated 18 December 2017
“2019 Clinker Purchase Framework Agreement”	the clinker framework agreement dated 16 October 2019 entered into between Ruiping Shilong (as supplier) and Tianrui Cement (as purchaser), the details of which are set out in the announcement dated 16 October 2019
“2021 Clinker Purchase Framework Agreement”	the clinker framework agreement dated 12 November 2021 entered into between Ruiping Shilong (as supplier) and Tianrui Cement (as purchaser)
“2021 Limestone Supply Framework Agreement”	the limestone supply agreement dated 12 November 2021 entered into between Ruiping Shilong (as purchaser) and Tianrui Cement (as supplier)
“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the chairman and a Controlling Shareholder of the Company
“Clinker Annual Caps”	the respective annual caps for each of the three years ending 31 December 2022, 2023 and 2024 under the 2021 Clinker Purchase Framework Agreement
“Company”	China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

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## DEFINITIONS

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“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement
“Group”	the Company and its subsidiaries from time to time
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Independent Board Committee”	the independent committee of the Board, comprising all independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps, the 2021 Limestone Supply Framework Agreement, the Limestone Annual Caps, and the transactions contemplated thereunder
“Independent Financial Adviser”	Dongxing Securities (Hong Kong) Company Limited, the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related proposed annual caps
“Independent Shareholder(s)”	Shareholders other than Yu Kuo and those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps, the 2021 Limestone Supply Framework Agreement, the Limestone Annual Caps, and the transactions contemplated thereunder
“Independent Third Party(ies)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates
“Latest Practicable Date”	30 November 2021, being the latest practicable date prior to the printing of this Circular for ascertaining certain information contained herein
“Limestone Annual Caps”	the respective annual caps for each of the three years ending 31 December 2022, 2023 and 2024 under the 2021 Limestone Supply Framework Agreement
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange

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## DEFINITIONS

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“Ms. Li”	Li Fengluan, the spouse of Chairman Li and an executive Director of the Company
“PRC”	the People’s Republic of China which, for the purposes of this Circular, excludes the Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiping Power”	Pingdingshan Ruiping Power Company Limited (平頂山瑞平煤電有限公司), a company incorporated in the PRC with limited liability
“Ruiping Shilong”	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a company established in the PRC with limited liability and an indirectly 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, owned as to 70% by Chairman Li and 30% by Ms. Li
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is a Controlling Shareholder of the Company holding 69.58% of the issued share capital of the Company and the issued share capital of which is indirectly owned as to 70% by Chairman Li and as to 30% by Ms. Li
“%”	per cent

*In case of any discrepancy between the English version and the Chinese version of this Circular, the English version shall prevail.*

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LETTER FROM THE BOARD

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

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1252)**

*Chairman and Non-executive Director:*  
Mr. Li Liufa

*Executive Directors:*  
Ms. Li Fengluan  
Mr. Ding Jifeng  
Mr. Xu Wuxue  
Mr. Li Jiangming

*Independent Non-executive Directors:*  
Mr. Kong Xiangzhong  
Mr. Wang Ping  
Mr. Du Xiaotang

*Registered Office:*  
Cricket Square, Hutchins Drive  
PO Box 2681  
Grand Cayman  
KY1-1111  
Cayman Islands

*Headquarters and Principal Place  
of Business in the PRC:*  
No. 63 Guang Cheng Road East  
Ruzhou City  
Hanan Province  
PRC

*Place of Business in Hong Kong:*  
Room 2504, 25/F., Lippo Centre Tower 1  
89 Queensway, Admiralty  
Hong Kong

3 December 2021

*To the Shareholders,*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:  
(1) 2021 CLINKER PURCHASE FRAMEWORK AGREEMENT  
(2) 2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

**AND**

**NOTICE OF EXTRAORDINARY GENERAL MEETING**

**INTRODUCTION**

Reference is made to the announcement of the Company dated 12 November 2021 in relation to the continuing connected transaction contemplated under the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement.

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## LETTER FROM THE BOARD

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Pursuant to the requirements under the Listing Rules, the Company will seek the Independent Shareholders' approval in relation to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement at the EGM.

The purposes of this Circular are to provide you with (1) a letter from the Board containing further details of the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps; (2) a letter of recommendation from the Independent Board Committee to the Independent Shareholders in respect of the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps; (3) a letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps; (4) notice of convening the EGM; and (5) other information as required under the Listing Rules.

### **BACKGROUND**

Reference is made to the announcement of the Company dated 12 November 2021 with respect to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement.

The 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement had an effective term from 1 January 2022 to 31 December 2024. The 2019 Clinker Purchase Framework Agreement will expire on 31 December 2021, and accordingly the parties entered into the 2021 Clinker Purchase Framework Agreement. Moreover, Ruiping Shilong would like to purchase limestone from Tianrui Cement, and the parties entered into the 2021 Limestone Supply Framework Agreement. Principal terms of the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement are set out below.

### **2021 CLINKER PURCHASE FRAMEWORK AGREEMENT**

Principal terms of the 2021 Clinker Purchase Framework Agreement are set out below.

#### **Date**

12 November 2021 (after trading hours)

#### **Parties**

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

#### **Term**

The 2021 Clinker Purchase Framework Agreement shall be effective from 1 January 2022 to 31 December 2024.

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## LETTER FROM THE BOARD

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### Principal Terms

The 2021 Clinker Purchase Framework Agreement sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan Province, the PRC.

### Implementation Agreement

Tianrui Cement and/or its subsidiaries may, from time to time and as necessary, enter into separate implementation agreement for each specific transaction contemplated under the 2021 Clinker Purchase Framework Agreement. Each implementation agreement will set out specific details of the transaction, including price, quantity and other relevant details, and each implementation agreement will be based on the requirements of Tianrui Cement or its subsidiaries, with reference to market conditions at the relevant time.

### Clinker Annual Caps

It is agreed that the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed Clinker Annual Caps for the year ending		
	31 December 2022	31 December 2023	31 December 2024
Total purchase amount	RMB1,200,000,000	RMB1,200,000,000	RMB1,200,000,000

*Note:* the annual cap for the year ended 31 December 2018 under the 2017 Clinker Purchase Framework Agreement is RMB300,000,000, and the annual cap for the years ended 31 December 2019 and 2020, and the year ending 31 December 2021 under the 2019 Clinker Purchase Framework Agreement are RMB800,000,000, RMB1,000,000,000 and RMB1,000,000,000 respectively.

The Clinker Annual Caps are determined by taking into account the following factors:

- (i) The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the year ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 were approximately RMB298,003,000 (representing approximately 99% of the respective annual cap), RMB610,358,000 (representing approximately 76% of the respective annual cap), RMB810,783,000 (representing approximately 81% of the respective annual cap) and RMB388,698,000 (representing approximately 39% of the respective annual cap) respectively.
- (ii) Clinker is a semi-finished product that can be used to produce different types of cement products. As stated in the 2021 interim report of the Company, the revenue from cement sales was approximately RMB5,086.1 million in the first half of 2021, representing an increase of 7.4% as compared to RMB4,736.7 million in the same period of 2020. As disclosed in paragraph (i), the historical aggregate



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## LETTER FROM THE BOARD

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value for purchase of clinker from Ruiping Shilong has recorded year-on-year increase of 104.8% and 32.8% in 2019 and 2020 respectively. Accordingly, the increase of the proposed Clinker Annual Caps to RMB1,200 million per year as compared with the existing annual caps of RMB1,000 million per year is in line with the aforesaid increase in cement sales during the first half of 2021 and the historical purchase of clinker from Ruiping Shilong being RMB810.8 million for the year of 2020. The increase in annual cap is also to allow buffer for the increase in clinker unit price. According to China Cement Index Website (中國水泥指數網), the Clinker Price Index (CLKPI) has increased from approximately 132 as of 1 July 2021 to approximately 200 as of 19 November 2021, representing an increase of 51.5%.

### GENERAL PRICING PRINCIPLES

In line with the 2019 Clinker Purchase Framework Agreement, for the clinker provided under the 2021 Clinker Purchase Framework Agreement to Tianrui Cement and/or its subsidiaries by Ruiping Shilong, Tianrui Cement will obtain at least two price quotes from the Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties. Tianrui Cement will also take into consideration some independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. Tianrui Cement will ensure the terms of the 2021 Clinker Purchase Framework Agreement are no less favourable than those terms offered by Ruiping Shilong to the Independent Third Parties. After all the foregoing analysis, the proposed clinker prices and terms of the 2021 Clinker Purchase Framework Agreement will be submitted to the management of the Group for approval.

The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conducts annual review of the implementation enforcement of the continuing connected transactions.

### REASONS AND BENEFITS FOR ENTERING INTO THE 2021 CLINKER PURCHASE FRAMEWORK AGREEMENT

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors: (1) the market status and trend of the Group's target market, which attributes to the Group's gradual increasing need of clinker, the Board is optimistic that investments in fixed assets, infrastructure and real estate development, greater support from the government is expected to maintain a steady growth, which backs the demand of cement in the future; (2) as stated in the 2021 interim report of the Company for the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB5,732.8 million, representing an increase of approximately

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## LETTER FROM THE BOARD

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RMB479.1 million or 9.1% compared to the same period in 2020. The profit attributable to owners of the Company amounted to approximately RMB751.6 million, representing an increase of approximately RMB32.6 million or 4.5% from approximately RMB719 million in the first six months of 2020. In particular, the revenue from cement sales was approximately RMB5,086.1 million in the first half of 2021, representing an increase of 7.4% as compared to RMB4,736.7 million in the same period of 2020. The Directors are optimistic of the growth in cement sales which will lead to a greater demand for clinker as one of the raw materials to produce cement products; (3) with the benefit of being within proximity of the Group's cement production base in Henan Province, PRC, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; (4) the Group's long-established relationship with Ruiping Shilong; and (5) the Group will obtain price quotes from Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable, the Directors (including the independent non-executive Directors who have considered the advice from the Independent Financial Adviser) are of the view that the terms of the 2021 Clinker Purchase Framework Agreement, including the Clinker Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024, respectively, are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

### **2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

Principal terms of the 2021 Limestone Supply Framework Agreement are set out below:

#### **Date**

12 November 2021 (after trading hours)

#### **Parties**

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

#### **Term**

The 2021 Limestone Supply Framework Agreement shall be effective from 1 January 2022 to 31 December 2024.

#### **Principal Terms**

The 2021 Limestone Supply Framework Agreement sets out the general terms and conditions for the purchase of the limestone by Ruiping Shilong from Tianrui Cement and/or its subsidiaries. The prices payable by Ruiping Shilong for the limestone will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan province, the PRC.

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## LETTER FROM THE BOARD

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### Implementation Agreement

Tianrui Cement and/or its subsidiaries may, from time to time and as necessary, enter into separate implementation agreement for each specific transaction contemplated under the 2021 Limestone Supply Framework Agreement. Each implementation agreement will set out specific details of the transaction, including price, quantity and other relevant details, with reference to market conditions at the relevant time and as agreed between Ruiping Shilong and the Group.

### Limestone Annual Caps

It is agreed that the maximum aggregate annual amount payable by Ruiping Shilong to Tianrui Cement for purchase of limestone for the years ending 31 December 2022, 2023 and 2024 will not exceed the caps set out below:

	<b>Proposed Annual Caps for the year ending</b>		
	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2024</b>
Total sales amount	RMB300,000,000	RMB300,000,000	RMB300,000,000

The Limestone Annual Caps are determined by taking into account of the Group's limestone production capacity and Ruiping Shilong's increased demand for limestone as set out in the section headed "Reasons and Benefits for entering into the 2021 Limestone Supply Framework Agreement" below.

### GENERAL PRICING PRINCIPLES

The Group has relevant internal control policies and procedures including (1) the Company has incorporated in its mandatory guideline such that its subsidiaries or branches shall closely monitor the updated market price of limestone in order to attain a reasonable sale price and hence the sale price to Ruiping Shilong will be compared with the market price, such monitoring measures include obtaining offer price quotes from at least two independent purchasers by proactively approaching the potential limestone purchaser in market to probe their recent transacted prices in the market or willing unit offer price for limestone no less frequently than on monthly basis to ascertain the market price for management's review; and (2) the Group will compare the sale price to Ruiping Shilong with the sale price stated on the limestone sales invoice for all the sales within the immediately preceding 60 days, to other limestone customers of the Group and the market price obtained from (1) above, thus the Group can ensure that the sale price to Ruiping Shilong will not be more favourable than the sale price to other limestone customers of the Group for similar transactions. Based on the procedure set out above, the Directors consider that the procedures are sufficient to ensure that the transactions will be conducted on normal commercial terms and not prejudicial to the interests of the Company. After all the foregoing analysis, the proposed limestone prices and sales terms under the 2021 Limestone Supply Framework Agreement will be submitted to the management of the Group for approval.

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## LETTER FROM THE BOARD

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The finance department of the Company monitors the actual transaction amounts against any excess of the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The independent non-executive Directors conduct annual review of the implementation enforcement of the continuing connected transactions.

### **REASONS AND BENEFITS FOR ENTERING INTO THE 2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

Limestone is one of the raw materials required for clinker production, and that Ruiping Shilong has been purchasing limestone from various suppliers for its clinker production on a non-exclusive basis. Ruiping Shilong has recently expanded its clinker production and hence has the increased need for limestone. In light of Ruiping Shilong's anticipated increased demand for limestone, its location being within proximity of the Group's limestone production facilities and the anticipated volume of limestone available for sale, Tianrui Cement entered into the 2021 Limestone Supply Framework Agreement with Ruiping Shilong. Historically, the Group has utilized majority of its self-produced limestone for its own use and sold limestone to third party when and if sale of the same is economically beneficial, such as when certain limestone produced is not particularly suitable (in terms of quality) for self use of the Group's clinker production line within proximity. As such, the Directors believe that Ruiping Shilong can broaden the Group's sales channel. The Group commenced sale of limestone in 2010 and the sales revenue is approximately RMB147.3 million, RMB251.2 million, RMB788.4 million and RMB454.7 million in 2018, 2019 and 2020 and the six months ended 30 June 2021 respectively.

As disclosed in the circular dated 25 April 2014, Ruiping Shilong and the Group entered into the 2014 Limestone Supply Framework Agreement for the Group's sale of limestone to Ruiping Shilong for the year of 2014, 2015 and 2016. The sales amount of the Group's sale of limestone to Ruiping Shilong is RMB16,082,000 in 2014, RMB8,857,000 in 2015. It is understood that Ruiping Shilong purchased limestone from other suppliers since 2016, and hence ceased to purchase limestone from the Group since 2016. However, in light of Ruiping Shilong's anticipated increase in demand for limestone starting from 2022, Ruiping Shilong has decided to resume purchase from the Group after considering factors such as the Group's ability to supply substantive quantity of limestone.

In considering the following factors that (1) the proposed annual cap of RMB300 million is well within the Group's limestone sales amount of RMB788.4 million in 2020; (2) Ruiping Shilong is one of those customers that has the need for limestone within Pingdingshan area and its estimated annual purchase demand for each of the year 2022, 2023 and 2024 respectively, and (3) the Limestone Annual Caps will allow buffer for the Group to sell limestone to Ruiping Shilong while the 2021 Limestone Supply Framework Agreement does not oblige the Group to make any sale of limestone should the Group find a better customer who is willing to purchase its limestone on better terms or the Group would wish to utilize the limestone for self-use purpose, the Directors (including the independent non-executive Directors) are of the view that the terms of the transactions

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## LETTER FROM THE BOARD

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under the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps for each of the three years ending 31 December 2022, 2023 and 2024 respectively are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

### INFORMATION OF THE GROUP AND RUIPING SHILONG

The Group is principally engaged in businesses of the production, sale and distribution of clinker and cement.

Ruiping Shilong is mainly engaged in production, sale and distribution of clinker. Ruiping Shilong is held as to 40% by Tianrui Cement (a wholly-owned subsidiary of the Company) and as to 60% by Ruiping Power. Ruiping Power is indirectly owned as to 40% by Chairman Li and Ms. Li. Based on the available public records, Ruiping Power is held as to 60% by China Pingmei Shenma Energy Chemical Engineering Group Company Limited (中國平煤神馬能源化工集團有限責任公司) (“**Pingmei Shenma**”) which is held as to approximately 65.1% by State-owned Assets Supervision and Administration Commission of Henan Provincial People’s Government (河南省人民政府國有資產監督管理委員會) and owned as to approximately 11.6% by Wuhan Steel Company Limited (武漢鋼鐵有限公司) which is in turn wholly owned by Baoshan Steel Company Limited (寶山鋼鐵股份有限公司) (a company listed on the Shanghai Stock Exchange with stock code of 600019). Each of the remaining seven shareholders of Pingmei Shenma holds less than 10% in Pingmei Shenma respectively.

### IMPLICATIONS UNDER THE LISTING RULES

Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain applicable percentage ratios in respect of the Clinker Annual Caps under the 2021 Clinker Purchase Framework Agreement and the Limestone Annual Caps under the 2021 Limestone Supply Framework Agreement, when aggregated, exceed 5% but less than 25%, the transactions contemplated under the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement are subject to reporting, announcement and Independent Shareholders’ approval requirements under the Listing Rules.

The Company will also disclose the relevant details of the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

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## LETTER FROM THE BOARD

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### BOARD'S APPROVAL

As Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Chairman Li and Ms. Li (Chairman Li's spouse), and Mr. Li Jiangming (who is a younger brother of Ms. Li) had abstained from voting on the relevant board resolution approving the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement. Save as mentioned above, none of the Directors has any material interest in the transaction thereunder and therefore no other Director has abstained from voting on such board resolution.

### EGM

The Company will convene the EGM to be held at the Conference Room, 11th Floor, Hailian Building, No. 20 Shangwu Wai Huan Road, Zhengdong Xin District, Zhengzhou City, Henan Province, PRC on 20 December 2021 at 10:30 a.m. for the purpose of considering, and if thought fit, approving the 2021 Clinker Purchase Framework Agreement, the transactions contemplated therein (including the Clinker Annual Caps), the 2021 Limestone Supply Framework Agreement and the transactions contemplated therein (including the Limestone Annual Caps). Pursuant to Rule 13.39(4) of the Listing Rules, the vote of the Independent Shareholders at the EGM will be taken by poll. No shareholder, other than Yu Kuo, has a material interest in the 2021 Clinker Purchase Framework Agreement or the 2021 Limestone Supply Framework Agreement, and is required under the Listing Rules to abstain from voting on the resolutions to be proposed at the EGM to approve the 2021 Clinker Purchase Framework Agreement, the 2021 Limestone Supply Framework Agreement, the Clinker Annual Caps and the Limestone Annual Caps. A notice of the EGM is set out on pages EGM-1 to EGM-3 of this Circular. The resolution in relation to the transactions contemplated under the 2021 Clinker Purchase Framework Agreement (including the Clinker Annual Caps), the 2021 Limestone Supply Framework Agreement and the transactions contemplated therein (including the Limestone Annual Caps) will be put to vote by the Independent Shareholders at the EGM by way of poll.

Yu Kuo (a company indirectly held by Chairman Li and Ms. Li), which held approximately 69.58% of the total issued share capital of the Company as at the Latest Practicable Date, shall abstain from voting at EGM on the resolutions relating to the 2021 Clinker Purchase Framework Agreement, the 2021 Limestone Supply Framework Agreement and the transaction contemplated thereunder.

### RECOMMENDATION

The Board (including the Independent Board Committee having taken into account the advice of the Independent Financial Adviser) considers that the 2021 Clinker Purchase Framework Agreement, the 2021 Limestone Supply Framework Agreement and the transactions contemplated therein are in the ordinary and usual course of business of the Group and on normal commercial terms, and the terms are fair and reasonable and more favourable to the Group than those of Independent Third Parties and in the interests of the Company and the Shareholders as a whole, and the Clinker Annual Caps and the Limestone Annual Caps are fair and reasonable. Accordingly, the Board (including the Independent Board Committee having taken into account the advice of the Independent Financial



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## LETTER FROM THE BOARD

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Adviser) recommends the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the 2021 Clinker Purchase Framework Agreement, the 2021 Limestone Supply Framework Agreement, transactions contemplated under the 2021 Clinker Purchase Framework Agreement, the transactions contemplated under the 2021 Limestone Supply Framework Agreement, the Clinker Annual Caps and the Limestone Annual Caps.

### 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 Wednesday, 15 December 2021 to Monday, 20 December 2021, 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 Tuesday, 14 December 2021.

### GENERAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and additional information set out in Appendices I and II to this Circular.

Yours faithfully,  
For and on behalf of  
**China Tianrui Group Cement Company Limited**  
**Li Liufa**  
*Chairman*

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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*The following is the full text of the letter from the Independent Board Committee prepared for the purpose of inclusion in this Circular:*



**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

3 December 2021

*To the Independent Shareholders*

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS:  
(1) 2021 CLINKER PURCHASE FRAMEWORK AGREEMENT  
(2) 2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

We refer to the Circular of the Company dated 3 December 2021 (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 as members of the Independent Board Committee to advise the Independent Shareholders in respect of the transactions under the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps relating thereto, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps relating thereto, details of which are set out in the “Letter from the Board” to the Circular, of which this letter forms a part.

We (i) have reviewed the terms of the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement which we are of view that such terms are principally in line with market practices; (ii) are of the opinion that the clinker to be supplied by Ruiping Shilong are similar in nature with the clinker supplied by Independent Third Parties in preceding years, which are for the Group’s daily operation; (iii) are of the opinion that the limestone to be sold to Ruiping Shilong are similar in nature with the limestone sold to Independent Third Parties in preceding years, which are for the Group’s daily operation; and (iv) took into account the advice of the Independent Financial Adviser in relation thereto as set out on pages 16 to 30 of the Circular, we consider that the transactions under the 2021 Clinker Purchase Framework Agreement, the Clinker Annual



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**LETTER FROM THE INDEPENDENT BOARD COMMITTEE**

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Caps relating thereto, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps relating thereto are fair and reasonable so far as the Independent Shareholders are concerned and are on normal commercial terms, in the ordinary and usual course of business and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the ordinary resolution(s) to be proposed at the EGM to approve the transactions under the 2021 Clinker Purchase Framework Agreement, the Clinker Annual Caps relating thereto, the 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps relating thereto.

Yours faithfully,  
**Independent Board Committee**

<b>Kong Xiangzhong</b>	<b>Wang Ping</b>	<b>Du Xiaotang</b>
<i>Independent non-executive director</i>	<i>Independent non-executive director</i>	<i>Independent non-executive director</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice to the Independent Board Committee and the Independent Shareholders from the Independent Financial Adviser in respect of the transactions contemplated under the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps, which has been prepared for the purpose of inclusion in this circular.*



DONGXING SECURITIES  
(HONG KONG) COMPANY LIMITED  
Room 6805–6806A  
International Commerce Centre  
1 Austin Road West  
Kowloon  
Hong Kong

3 December 2021

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

Dear Sirs,

**CONTINUING CONNECTED TRANSACTIONS:  
(1) 2021 CLINKER PURCHASE FRAMEWORK AGREEMENT  
(2) 2021 LIMESTONE SUPPLY FRAMEWORK AGREEMENT**

### INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 3 December 2021 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transaction under the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Clinker Annual Caps under the 2021 Clinker Purchase Framework Agreement and the Limestone Annual Caps under the 2021 Limestone Supply Framework Agreement, when aggregated, exceed 5% but less than 25%, the transactions contemplated under the 2021 Clinker

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement are subject to reporting, announcement and Independent Shareholders' approval requirements under the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and as to whether the related annual caps are fair and reasonable and are in the interests of the Company and its Shareholders as a whole. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps.

### OUR INDEPENDENCE

As at the Latest Practicable Date, apart from the relationship as set out below, which we do not consider will either affect our independence in performing our duties under the Listing Rules or give rise to a perception that our independence has been compromised, and this appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, we did not have any relationships or interests with the Company or any other parties that could reasonably be regarded as relevant to our independence in the past two years.

On 28 June 2019, Trend Project Holding Limited ("**Trend Project**"), a member of the group of the Independent Financial Adviser, has purchased guaranteed notes from the Company with an aggregate principal amount of US\$140 million ("**Notes**") with a term of three years and an interest rate of 12% per annum. The Notes are guaranteed by Yu Kuo, the immediate holding company of the Company, and Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司), an intermediate holding company of the Company. Yu Kuo pledged 70,000,000 Shares, the Company pledged 1,900 shares of Zhong Yuan Cement Company Limited (中原水泥有限公司) ("**Zhong Yuan**"), a wholly-owned subsidiary of the Company, and Zhong Yuan pledged 1,900 shares of China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a wholly-owned subsidiary of the Company, in favour of Trend Project as securities for the Notes. Trend Project has received interest on the Notes from the Company in the past two years. As per the consolidated financial statement of the Independent Financial Adviser's ultimate holding company ("**Parent Group**") (namely China Orient Asset Management Company Limited (中國東方資產管理股份有限公司)) as at 30 June 2021, the amount of total assets is approximately RMB1,202,993 million. The percentage of the amount of the Notes (i.e. US\$140 million, equivalent to approximately RMB894 million) over the total assets of the Parent Group is less than 0.1%.

Apart from normal professional fees paid or payable to us in connection with this transaction, no other arrangement exists whereby we had received or would receive any fees or benefits from the Company or any parties that could reasonably be regarded as relevant to our independence. Accordingly, we consider ourselves independent in accordance with Rule 13.84 of the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### BASIS OF OUR OPINION

In formulating our opinion and advice, we have relied upon the accuracy of the information and representations contained in the Circular and information provided to us by the Company and the management of the Company (the “**Management**”). We have assumed that all statements, information and representations made or referred to in the Circular and all information and representations which have been provided by the Company and the Management, for which they are solely and wholly responsible, were true at the time they were made and continue to be true as at the Latest Practicable Date.

We have also assumed that all statements of belief, opinion and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration and there are no other facts not contained in the Circular, the omission of which make any such statement contained in the Circular misleading. The Shareholders will be notified of material changes as soon as possible, if any, to the information and representations provided and made to us after the Latest Practicable Date and up to and including the date of the EGM.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries that, to the best of their knowledge and belief, there are no omission of other facts that would make any statements in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter. We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any omission of any material facts that would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent in-depth investigation into the business affairs, financial position or future prospects of the Group, nor have we carried out any independent verification of the information provided by the Directors and/or the Management.

This letter is issued to the Independent Board Committee and the Independent Shareholders, solely in connection for their consideration of the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps, and except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose without our prior written consent.

**PRINCIPAL FACTORS AND REASONS CONSIDERED**

In assessing the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps and in giving our recommendations to the Independent Board Committee and the Independent Shareholders, we have taken into consideration of the following principal factors and reasons:

**1. Background information of the parties to the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply 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 Ruiping Shilong*

Ruiping Shilong is a company incorporated in the PRC with limited liability and mainly engaged in production, sale and distribution of clinker. Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company.

**2. 2021 Clinker Purchase Framework Agreement and the Clinker Annual Caps**

*a. Principal terms*

The 2021 Clinker Purchase Framework Agreement sets out the general terms and conditions for the purchase of the clinker by Tianrui Cement and/or its subsidiaries from Ruiping Shilong. The prices payable by Tianrui Cement for the clinker will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of clinker in Pingdingshan, Henan Province, the PRC, and in any event, the transaction terms shall be around the ranges of those quotes offered by the Independent Third Parties. For further details of the terms and conditions of the 2021 Clinker Purchase Framework Agreement, please refer to the Board Letter.

In order to ensure that the prices and terms offered by Ruiping Shilong are on normal commercial terms and no less favourable to the Group, the Group will compare the quotations offered by the Ruiping Shilong with those of at least two other Independent Third Parties. The Group will also take into consideration some independent market data of the clinker market to ensure the prices of clinker are at the prevailing market rate.

For our due diligence purpose and to review the Group's pricing mechanism in purchasing clinker from Ruiping Shilong, we have obtained 12 samples of pricing research reports prepared by the Company on the market price of clinker during the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021. We note from our review that the Company conducted research on prevailing market price and obtained quotes from Independent Third Parties to determine the reasonableness and fairness of the prices offered by Ruiping Shilong.

***b. Reasons for transaction***

Clinker is a semi-finished product that can be used to produce different types of cement products. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors, the Directors consider that the transaction would benefit the Company.

- the market status and trend of the Group's target market, which attributes to the Group's gradual increasing need of clinker;
- as stated in the 2021 interim report of the Company for the six months ended 30 June 2021, the Group recorded a revenue of approximately RMB5,732.8 million, representing an increase of approximately RMB479.1 million or 9.1% compared to the same period in 2020. The profit attributable to owners of the Company amounted to approximately RM751.6 million, representing an increase of approximately RMB32.6 million or 4.5% from approximately RMB719.0 million in the first six months of 2020. In particular, the revenue from cement sales was approximately RMB5,086.1 million in the first half of 2021, representing an increase of 7.4% as compared to RMB4,736.7 million in the same period of 2020. The Directors are optimistic of the growth in cement sales which will lead to a greater demand for clinker as one of the raw materials to produce cement products;
- with the benefit of being within proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years;
- the Group's long-established relationship with Ruiping Shilong; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- the prices and terms of clinker provided by Ruiping Shilong are fair and reasonable compared with the prices quoted by Independent Third Parties.

*c. Historical amounts*

The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 were approximately RMB298,003,000, RMB610,358,000, RMB810,783,000 and RMB388,698,000, respectively.

*d. Clinker Annual Caps*

It is agreed that the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	<b>Proposed Annual Cap for the year ending</b>		
	<b>31 December 2022</b>	<b>31 December 2023</b>	<b>31 December 2024</b>
Total purchase amount	RMB1,200,000,000	RMB1,200,000,000	RMB1,200,000,000

*Note 1:* the annual cap for the year ended 31 December 2018 under the 2017 Clinker Purchase Framework Agreement is RMB300,000,000 and the annual cap for the years ended 31 December 2019 and 2020, and the year ending 31 December 2021 under the 2019 Clinker Purchase Framework Agreement are RMB800,000,000, RMB1,000,000,000 and RMB1,000,000,000, respectively.

*e. Basis of caps*

According to the Board Letter, the Board determines the above proposed annual caps based on the following reasons:

- The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021 were approximately RMB298,003,000 (representing approximately 99% of the respective annual cap), RMB610,358,000 (representing approximately 76% of the respective annual cap), RMB810,783,000 (representing approximately 81% of the respective annual cap) and RMB388,698,000 (representing approximately 39% of the respective annual cap), respectively.
- Clinker is a semi-finished product that can be used to produce different types of cement products. As stated in the 2021 interim report of the Company, the revenue from cement sales was approximately RMB5,086.1 million in the first half of 2021, representing an increase of 7.4% as compared to RMB4,736.7 million in the same period of 2020.



The historical aggregate value for purchase of clinker from Ruiping Shilong has recorded year-on-year increase of 104.8% and 32.8% in 2019 and 2020 respectively. Accordingly, the increase of proposed Clinker Annual Caps to RMB1,200 million per year as compared with the existing annual caps of RMB1,000 million per year is in line with the aforesaid increase in cement sales during the first half of 2021 and the historical purchase of clinker from Ruiping Shilong being RMB810.8 million for the year of 2020. The increase in annual cap is also to allow buffer for the increase in clinker unit price. According to China Cement Index Website (中國水泥指數網), the Clinker Price Index (CLKPI) has increased from approximately 132 as of 1 July 2021 to approximately 200 as of 19 November 2021 representing an increase of 51.5%.

*f. Our view on the Clinker Annual Caps*

In assessing the reasonableness and fairness of the Clinker Annual Caps, we have discussed with the Management and note that the Clinker Annual Caps for the years ending 31 December 2022, 2023 and 2024 are determined with reference to the following basis.

For the years ended 31 December 2018, 2019 and 2020, the historical transaction amounts for purchase of clinker between Tianrui Cement and Ruiping Shilong were approximately RMB298,003,000, RMB610,358,000, RMB810,783,000, respectively, representing a compound annual growth rate of 64.9%. For the six months ended 30 June 2021, the amounts for purchase of clinker between Tianrui Cement and Ruiping Shilong was approximately RMB388,698,000, representing an increase of 27.1% compared to the same period of 2020.

According to China Cement Index Website (中國水泥指數網), the Clinker Price Index (CLKPI) has increased from approximately 132 as of 1 July 2021 to approximately 200 as of 19 November 2021, representing an increase of 51.5%.

As stated in the 2020 annual report of the Company, the Government Work Report (the “**Report**”) delivered during the 2021 meeting of the National People’s Congress stated that, for the economic development, “development is the key for solving all issues of PRC”, and during the period of “14th Five-Year Plan” “the economy will be kept running within appropriate range”, and “expects to expand its GDP by over 6 percent” this year. The cement industry will continue to be benefitted from the economic development. On the urbanization front, the Report outlined the aim of “raising the urbanization rate for resident population to 65%” during the period of “14th Five-Year Plan”. The current urbanization of PRC falls behind other developed countries, and the urbanization rate of Henan Province is 53.21% which is fall short of its target to an even greater extent. With the two reasons stated above, the demand of cement, especially the one from Henan Province shall be benefitted accordingly. We consider such estimated growth rate in the demand of clinker to be justifiable.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the above, we are of the view that the 2021 Clinker Purchase Framework Agreement and the Clinker Annual Caps are fair and reasonable.

*g. Internal Control Measures*

As stated in the Board Letter, the Company has adopted various internal control procedures to monitor the continuing connected transaction.

Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, continuing connected transactions are subject to the following annual review requirements:

- (a) The independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - i. in the ordinary and usual course of business of the Group;
  - ii. on normal commercial terms or better; and
  - iii. according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) the Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditor must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - i. have not been approved by the Board;
  - ii. were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
  - iii. were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
  - iv. have exceeded the annual caps;
- (c) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditor of the Company cannot confirm the matters as required.

In line with the 2019 Clinker Purchase Agreement, for the clinker provided under the 2021 Clinker Purchase Framework Agreement to Tianrui Cement and/or its subsidiaries by Ruiping Shilong, the Group will obtain at least two price quotes from the Independent Third Parties producing clinker to determine if the prices and terms offered by Ruiping Shilong are fair and reasonable and around the ranges of those quotes offered by the Independent Third Parties.

The Group will also take into consideration some independent market data of the clinker market to ensure that the prices of clinker are at the prevailing market rate. The Group will ensure the terms of the 2021 Clinker Purchase Framework Agreement are no less favourable than those terms offered by Ruiping Shilong to the Independent Third Parties.

After all the foregoing analysis, the proposed clinker prices and terms of the 2021 Clinker Purchase Framework Agreement will be submitted to the management of the Group for approval. The finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transaction and conducts an annual review of the implementation enforcement of the continuing connected transactions.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the Management, we noted that (i) the finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; (ii) the operation department researches and collects the independent market data to ensure the prices of clinker are at the prevailing market rate; (iii) the auditor conducts an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the Management, the Company will endeavour to carry out adequate supervision over the pricing terms and policy under the framework agreements against the relevant annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken. We have considered and noted that (i) the Company has adequate internal control procedures as aforementioned; (ii) the documents including, but not limited to, 12 samples of pricing research reports and 12

samples of transaction records reviewed by us are consistent with the relevant internal control measures as aforementioned; and (iii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

Besides, it was stated in the annual reports of the Company for the years ended 31 December 2018, 2019 and 2020 that the auditors of the Company confirmed that the continuing connected transaction (i) has been approved by the Board; (ii) had been entered into in accordance with the terms of the relevant agreements governing the transactions; and (iii) the actual transaction amount did not exceed the respective annual caps for the three years ended 31 December 2020.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision of the 2021 Clinker Purchase Framework Agreement. Accordingly, we are of the view that the internal control procedures are in place and in compliance with the internal measures as mentioned above.

### **3. 2021 Limestone Supply Framework Agreement and the Limestone Annual Caps**

#### ***a. Principal terms***

The 2021 Limestone Supply Framework Agreement sets out the general terms and conditions for the purchase of the limestone by Ruiping Shilong from Tianrui Cement and/or its subsidiaries. The prices payable by Ruiping Shilong for the limestone will be agreed following arm's length negotiations between relevant parties with reference to the prevailing market price of limestone in Pingdingshan, Henan Province, the PRC, and in any event, the transaction terms shall not be more favourable than the terms provided to other limestone customers of the Group for similar transactions. For further details of the terms and conditions of the 2021 Limestone Supply Framework Agreement, please refer to the Board Letter.

In order to ensure that the prices and terms offered to Ruiping Shilong are on normal commercial terms and will not be more favourable to Ruiping Shilong, the Group will compare the sale price to Ruiping Shilong with offer price quotes from at least two independent purchasers. The Group will also compare the sale price to Ruiping Shilong with the sale price stated on the limestone sales invoices for all the sales within the immediately preceding 60 days, to other limestone customers of the Group and the market price.

#### ***b. Reasons for transaction***

Limestone is one of the raw materials required for clinker production, and that Ruiping Shilong has been purchasing limestone from various suppliers for its clinker production on a non-exclusive basis. Ruiping Shilong has recently expanded its clinker production and hence has the increased need for limestone. In light of Ruiping Shilong's anticipated increased demand for limestone, its

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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location being within proximity of the Group's limestone production facilities and the anticipated volume of limestone available for sale, Tianrui Cement entered into the 2021 Limestone Supply Framework Agreement with Ruiping Shilong. Historically, the Group has utilized majority of its self-produced limestone for its own use and sold limestone to third party when and if sale of the same is economically beneficial, such as when certain limestone produced is not particularly suitable (in terms of quality) for self use of the Group's clinker production line within proximity. As such, the Directors believe that Ruiping Shilong can broaden the Group's sales channel.

*c. Historical amounts*

For the years ended 31 December 2018, 2019 and 2020, and the six months ended 30 June 2021, Tianrui Cement and/or its subsidiaries did not sell any limestone to Ruiping Shilong.

*d. Limestone Annual Caps*

It is agreed that the maximum aggregate annual amount payable by Ruiping Shilong to Tianrui Cement for purchase of limestone for the years ending 31 December 2022, 2023 and 2024 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending		
	31 December 2022	31 December 2023	31 December 2024
Total sales amount	RMB300,000,000	RMB300,000,000	RMB300,000,000

*e. Basis of caps*

According to the Board Letter, the Board determines the above proposed annual caps based on the following reasons:

- The proposed annual cap of RMB300 million is well within the Group's limestone sales amount of RMB788.4 million in 2020.
- Ruiping Shilong is one of those customers that has the need for limestone within Pingdingshan area and its estimated annual purchase demand for each of the year 2022, 2023 and 2024 respectively.
- The Limestone Annual Caps will allow buffer for the Group to sell limestone to Ruiping Shilong while the 2021 Limestone Supply Framework Agreement does not oblige the Group to make any sale of limestone should the Group find a better customer who is willing to purchase its limestone on better terms or the Group would wish to utilize the limestone for self-use purpose.

*f. Our view on the Limestone Annual Caps*

In assessing the reasonableness and fairness of the Limestone Annual Caps, we have discussed with the Management and note that the Limestone Annual Caps for the years ending 31 December 2022, 2023 and 2024 are determined with reference to the following basis.

For the years ended 31 December 2018, 2019 and 2020, the revenue from limestone sales were approximately RMB147.3 million, RMB251.2 million, RMB788.4 million, respectively, representing a compound annual growth rate of 131.3%. For the six months ended 30 June 2021, the revenue from limestone sales was approximately RMB454.7 million, representing an increase of 33.1% compared to the same period of 2020. The proposed annual caps is well within the Group's limestone sales in 2020.

As stated in the 2020 annual report of the Company, the Report stated that, for the economic development, "development is the key for solving all issues of PRC", and during the period of "14th Five-Year Plan" "the economy will be kept running within appropriate range", and "expects to expand its GDP by over 6 percent" this year. The cement industry will continue to be benefitted from the economic development. On the urbanization front, the Report outlined the aim of "raising the urbanization rate for resident population to 65%" during the period of "14th Five-Year Plan". The current urbanization of PRC falls behind other developed countries, and the urbanization rate of Henan Province is 53.21% which is fall short of its target to an even greater extent. With the two reasons stated above, the demand of cement, especially the one from Henan Province shall be benefitted accordingly. We consider such estimated growth rate in the demand of limestone to be justifiable.

As advised by the Company, the proposed annual caps are estimated with reference to the latest market price and estimated demand from Ruiping Shilong. As disclosed in the Board Letter, Ruiping Shilong has recently expanded its clinker production and hence has the increased need for limestone.

Taking into account the above, we are of the view that the 2021 Limestone Supply Framework Agreement and the Limestones Annual Caps are fair and reasonable.

*g. Internal Control Measures*

As stated in the Board Letter, the Company has adopted various internal control procedures to monitor the continuing connected transaction.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Pursuant to Rules 14A.55 to 14A.59 of the Listing Rules, continuing connected transactions are subject to the following annual review requirements:

- (a) The independent non-executive Directors must review the continuing connected transactions every year and confirm in the annual report and accounts that the continuing connected transactions have been entered into:
  - i. in the ordinary and usual course of business of the Group;
  - ii. on normal commercial terms or better; and
  - iii. according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole;
- (b) The Company must engage its auditors to report on the continuing connected transactions every year. The Company's auditor must provide a letter to the Board (with a copy to be provided to the Stock Exchange at least ten business days before the bulk printing of the Company's annual report) confirming whether anything has come to their attention that causes them to believe that the continuing connected transactions:
  - i. have not been approved by the Board;
  - ii. were not, in all material respects, in accordance with the pricing policies of the Group if the continuing connected transactions involve the provision of goods or services by the Group;
  - iii. were not entered into, in all material respects, in accordance with the relevant agreements governing the continuing connected transactions; and
  - iv. have exceeded the annual caps;
- (c) the Company must allow, and ensure that the counterparties to the continuing connected transactions allow, the Company's auditors sufficient access to their records for the purpose of the reporting on the continuing connected transactions as set out in paragraph (b); and
- (d) the Company must promptly notify the Stock Exchange and publish an announcement if the independent non-executive Directors and/or auditor of the Company cannot confirm the matters as required.

For the limestone provided under the 2021 Limestone Supply Framework Agreement to Ruiping Shilong by Tianrui Cement and/or its subsidiaries, the Group will compare (1) the sale price to Ruiping Shilong with offer price quotes from at least two Independent Third Parties purchasing limestone; and (2) the sale price to Ruiping Shilong with the sale price stated on the limestone sales invoices

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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for all the sales within the immediately preceding 60 days, to other limestone customers of the Group to determine if the prices and terms offered by the Group to Ruiping Shilong are fair and reasonable and not be more favourable than the terms provided to the Independent Third Parties for similar transaction.

After all the foregoing analysis, the proposed limestone prices and terms of the 2021 Limestone Supply Framework Agreement will be submitted to the management of the Group for approval. The finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps, and the Company engages the auditors of the Company to conduct an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. The Independent Board Committee, comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transaction and conducts an annual review of the implementation enforcement of the continuing connected transactions.

We have further reviewed the internal control manual regarding the continuing connected transactions between the Company and connected parties and as advised by the Management, we noted that (i) the finance department of the Company monitors the cumulative actual transaction amounts against the approved annual caps to ensure the compliance of the pricing terms and policy; (ii) the operation department researches and collects the independent market data to ensure the prices of limestone are at the prevailing market rate; (iii) the auditor conducts an annual review of the continuing connected transactions of the Company to assess whether such transactions have been carried out in accordance with the relevant terms of the agreement entered into by the Company. As advised by the Management, the Company will endeavour to carry out adequate supervision over the pricing terms and policy under the framework agreements against the relevant annual caps, with a view to ensure that necessary measures and appropriate actions for the compliance with the applicable requirements will be promptly taken. We have considered and noted that (i) the Company has adequate internal control procedures as aforementioned; and (ii) the Independent Board Committee comprising all the independent non-executive Directors, has been established to advise the Independent Shareholders of the transactions.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company, are sufficient to safeguard Shareholders' interest in the provision of the 2021 Limestone Supply Framework Agreement. Accordingly, we are of the view that the internal control procedures are in place.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### OPINION AND RECOMMENDATIONS

Having considered the above principal factors and reasons, we are of the view that the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps are (i) in the ordinary and usual course of the business of the Group; (ii) on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend Independent Shareholders to vote in favor of the relevant resolution for approving the 2021 Clinker Purchase Framework Agreement and the 2021 Limestone Supply Framework Agreement and the related annual caps at the EGM.

Yours faithfully,  
For and on behalf of  
**Dongxing Securities (Hong Kong) Company Limited**

**Jim Lui** *CFA, FCPA, FCCA, ACA*  
*Managing Director*  
*Investment Banking Department*

**Calvin Leung**  
*Executive Director*  
*Investment Banking Department*

*Mr. Jim Lui is currently a responsible officer of Dongxing Securities (Hong Kong) Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Lui has over 17 years of experience in the corporate finance industry, and has participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.*

*Mr. Calvin Leung is currently a responsible officer of Dongxing Securities (Hong Kong) Company Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO. Mr. Leung has over 17 years of experience in the corporate finance industry, and has participated in the provision of independent financial advisory services for various connected transactions involving companies listed in Hong Kong.*



**1. FINANCIAL INFORMATION OF THE GROUP**

The audited consolidated financial statements of the Company for the years ended 31 December 2018, 2019 and 2020 and the unaudited consolidated financial statements of the Company for the six months ended 30 June 2021 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 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021. 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/2020/0428/2020042802943.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0427/2021042702180.pdf>

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0914/2021091401004.pdf>

## 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 (%)
Chairman Li <sup>(1)</sup>	Interest of corporation controlled by the director/Long position	2,044,484,822 <sup>(2)</sup>	69.58
Ms. Li <sup>(1)</sup>	Interest of corporation controlled by the director/Long position	2,044,484,822 <sup>(2)</sup>	69.58

*Notes:*

- (1) 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, based on the disclosure of interest forms filed, Yu Kuo pledged its 580,000,000 Shares (approximately 19.74% of the issued share capital of the Company) in favour of third parties.

Save as disclosed above, as at Latest Practicable Date, none of the Directors or chief executives of the Company has or is deemed to have any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which will have to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which each of them has taken or deemed to have taken under the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register required to be kept therein or which will be required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange.

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

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

Name	Capacity/ Nature of Interests	Total number of Shares	Approximate percentage of shareholding (%)
Yu Kuo	Beneficial owner/Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Tianrui Group Company	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Tianrui International	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Holy Eagle	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Yu Qi	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	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 <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	69.58
Ms. Li	Interest of corporation controlled by the substantial shareholder/ Long position <sup>(1)</sup>	2,044,484,822 <sup>(2)</sup>	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	470,000,000	16.00
China Huarong International Holdings 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 (%)
Right Select International Limited	Interest of controlled corporation/Long position	300,000,000	10.21
Best Ego Limited	Party with security interest over the shares/Long position	300,000,000	10.21
China Huarong (Macau) International Company Ltd	Interest of controlled corporation/Long position	170,000,000	5.79
China Cinda Asset Management Co., Ltd.	Interest of controlled corporation/Long position	200,000,000	6.81
Sinopac Asset Management (Asia) Limited	Long Position	247,135,580	8.41
Sinopac Multi-series Fund Spc — Sinopac Greater China Industrial Opportunities Fund (Segregated Portfolio)	Long Position	247,135,580	8.41

*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 Company. Tianrui Group Company is 70% and 30% owned by Chairman Li and Ms. Li respectively. Chairman Li, Ms. Li, Tianrui Group Company, 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, based on the disclosure of interest forms filed, Yu Kuo pledged its 580,000,000 Shares (approximately 19.74% of the issued share capital of the Company) held in the Company to in favour of third parties.

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 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 2020, 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 2021, the Group recorded a revenue of RMB5,732.8 million, an increase of RMB479.1 million or 9.1% compared to the same period in 2020. The profit attributable to owners of the Company amounted to RMB751.6 million, representing an increase of RMB32.6 million or 4.5% from approximately RMB719.0 million in the first six months of 2020. The Board remains cautiously optimistic of the full-year financial performance in 2021.

The Government Work Report (hereinafter the “**Report**”) delivered during the 2021 meeting of the National People’s Congress stated that, for the economic development, “development is the key for solving all issues of PRC”, and during the period of “14th Five-Year Plan” “the economy will be kept running within appropriate range”, and “expects to expand its GDP by over 6 percent” this year. The cement industry will continue to be benefitted from the economic development. In line with the spirit of the Report, 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 follow the national policy proactively, implement the alternative production plan, and adhere to the innovative development model on digitalized factories, green factories and greening of mines. The Group will strengthen its management and control over its internal operation by relying on its regional advantage on market, and will continue to extend the industry chain through the development of related businesses in gravel aggregate as well as the industrial park for green construction materials, thus strive to minimize the effect of pandemic and external factors on its business, and to maintain and strengthen its regional competitive edge continuously.

#### 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 2020 (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 2019 Clinker Purchase Framework Agreement; (ii) 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 the circular of the Company dated 5 December 2019; and (iii) the framework agreement (the “**2019 Framework Agreement**”) entered into between Tianrui Group Company, Tianrui Cement and the Company dated 8 November 2019 and the counter guarantee agreement (the “**Counter Guarantee Agreement**”) entered into between the Company and Chairman Li dated 8 November 2019, details of which have been disclosed in the announcement of the Company dated 8 November 2019 and the circular dated 5 December 2019.

## 9. QUALIFICATION AND CONSENT OF EXPERT

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

<b>Name</b>	<b>Qualification</b>
Dongxing Securities (Hong Kong) Company Limited	a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities) and Type 6 (advising on corporate finance) regulatory activities under the SFO

As at the Latest Practicable Date, Dongxing Securities (Hong Kong) Company 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, save as disclosed in “Letter from Independent Financial Advisor — Our Independence”, Dongxing Securities (Hong Kong) Company 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 2020 (being the date to which the latest published audited accounts of the Company were made up) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

## 11. MATERIAL CONTRACTS

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

- (a) the deposit services agreement dated 8 November 2019 entered into between Tianrui Cement and Tianrui Group Finance Company Limited (天瑞集團財務有限公司, “**Tianrui Finance**”), details of which are set out in the circular of the Company dated 5 December 2019;

- (b) the financial services agreement dated 8 November 2019 entered into between Tianrui Cement and Tianrui Finance, details of which are set out in the circular of the Company dated 5 December 2019;
- (c) the mutual guarantee framework agreement dated 8 November 2019 entered into between the Company, Tianrui Cement and Tianrui Group Company, details of which are set out in circular of the Company dated 5 December 2019;
- (d) the 2021 Clinker Purchase Framework Agreement; and
- (e) the 2021 Limestone Supply Framework Agreement.

## 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 2504, 25/F., Lippo Centre Tower 1, 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 DISPLAY

Copies of the following documents are published on the websites of the Hong Kong Exchanges and Clearing Limited ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.trcement.com](http://www.trcement.com)) from the date of this circular up to and including the date of the EGM:

- (a) the articles of association of the Company;
- (b) the annual reports of the Company for the three years ended 31 December 2018, 2019 and 2020 and the interim report of the Company for the six months ended 30 June 2021;
- (c) the material contracts referred to in the paragraph above headed “**Material Contracts**” in this Appendix;
- (d) the 2021 Clinker Purchase Framework Agreement;
- (e) the 2021 Limestone Supply Framework Agreement;

- (f) the letter from Board, the text of which is set out in this circular;
- (g) the letter from the Independent Board Committee, the text of which is set out in this circular;
- (h) the letter from Dongxing Securities (Hong Kong) Company Limited, the text of which is set out in this circular;
- (i) the consent letter of Dongxing Securities (Hong Kong) Company Limited as referred to in the section headed “**Qualifications and Consent of Expert**” in this Appendix II.

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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**CHINA TIANRUI GROUP CEMENT COMPANY LIMITED**

**中國天瑞集團水泥有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 1252)**

**NOTICE IS HEREBY GIVEN** that an extraordinary general meeting (the “**EGM**”) of China Tianrui Group Cement Company Limited (the “**Company**”) will be held at 10:30 a.m. on Monday, 20 December 2021 at the Conference Room, 11th Floor, Hailian Building, No. 20 Shangwu Wai Huan Road, Zhengdong Xin District, Zhengzhou City, Henan Province, PRC for the purpose of considering and, if thought fit, passing the following resolutions:

### **ORDINARY RESOLUTIONS**

**1 “THAT**

- (i) the 2021 Clinker Purchase Framework Agreement (“**2021 Clinker Purchase Framework Agreement**”) dated 12 November 2021 entered into between Tianrui Cement Group Company Limited (天瑞水泥集團有限公司) (“**Tianrui Cement**”) and Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司) (“**Ruiping Shilong**”) (copy of which have been produced to the meeting marked “**A**” and initialed by the chairman of the meeting for the purpose of identification) in relation to the supply of clinker by Ruiping Shilong to Tianrui Cement and its subsidiaries (collectively, the “**Cement Group**”), including but not limited to the purchase of the clinker as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (ii) the proposed maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2022, 2023 and 2024 shall not exceed RMB1,200,000,000, RMB1,200,000,000 and RMB1,200,000,000 be and is hereby approved;
- (iii) any one of the directors of the Company (each a “**Director**”) be and is hereby authorised to take all steps, for and on behalf of the Company, which are in his opinion necessary or expedient to implement and/or give effect to the terms of the 2021 Clinker Purchase Framework Agreement; and
- (iv) 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 2021 Clinker Purchase Framework Agreement and the related proposed annual caps and the transactions contemplated thereunder or incidental to the 2021 Clinker Purchase Framework Agreement and the related proposed annual caps and all other matters incidental thereto or in

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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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 and are in the best interests of the Company.”

2 “**THAT**

- (i) the 2021 limestone supply framework agreement (“**2021 Limestone Supply Framework Agreement**”) dated 12 November 2021 entered into between Tianrui Cement and Ruiping Shilong (copy of which have been produced to the meeting marked “**B**” and initialed by the chairman of the meeting for the purpose of identification) in relation to the purchase of limestone by Ruiping Shilong from the Cement Group, including but not limited to the supply of limestone as stipulated thereunder, be and is hereby approved, confirmed and ratified;
- (ii) the proposed maximum aggregate annual amount payable by Ruiping Shilong to Tianrui Cement for supply of limestone for each of the years ending 31 December 2022, 2023 and 2024 shall not exceed RMB300,000,000, RMB300,000,000 and RMB300,000,000 be and is hereby approved;
- (iii) any one of the directors of the Company (each a “**Director**”) be and is hereby authorised to take all steps, for and on behalf of the Company, which are in his opinion necessary or expedient to implement and/or give effect to the terms of the 2021 Limestone Supply Framework Agreement; and
- (iv) 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 2021 Limestone Supply Framework Agreement and the related proposed annual caps and the transactions contemplated thereunder or incidental to the 2021 Limestone Supply Framework Agreement and the related proposed annual caps 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 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, 3 December 2021

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## NOTICE OF EXTRAORDINARY GENERAL MEETING

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### Notes:

- (a) For determining the shareholders of the Company who are entitled to attend and vote at the EGM, the register of members of the Company will be closed from Wednesday, 15 December 2021 to Monday, 20 December 2021, both days inclusive, during which period no transfer of shares of the Company 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 Tuesday, 14 December 2021.
- (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