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If you are in doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, accountant or other professional adviser.

If you have sold or transferred all your shares in China Tianrui Group Cement Company Limited, you should at once hand this circular together with the accompanying form of proxy to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale was effected for transmission to the purchaser or transferee.

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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1252)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF MUTUAL GUARANTEES

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



TC Capital
天財資本

TC Capital Asia Limited

A letter from the Board is set out on pages 3 to 14 of this circular.

A letter from the Independent Board Committee to the Independent Shareholders is set out on pages 15 to 16 of this circular.

A letter from TC Capital Asia Limited, the independent financial adviser, containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 17 to 30 of this circular.

A notice convening an extraordinary general meeting of the Company to be held at 10:00 a.m. at Level 3, Three Pacific Place, 1 Queen's Road East, Hong Kong on Wednesday, 27 November 2013 is set out on pages 39 to 40 of this circular.

A form of proxy for use in connection with the extraordinary general meeting is enclosed herewith and published on the website of The Stock Exchange of Hong Kong Limited (www.hkex.com.hk). Whether or not you are able to attend the meeting, please complete and return the form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not later than 24 hours before the time designated for holding the meeting or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or any adjourned meeting should you so wish.

8 November 2013

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DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the founder, chairman and a Controlling Shareholder of the Group
“Company”	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability, whose Shares are listed and traded 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
“Counter Guarantee”	the corresponding counter guarantee to be provided by Chairman Li to Tianrui Cement in respect to each Tianrui Cement Guarantee under the Framework Agreement
“Counter Guarantee Agreement”	the counter guarantee agreement dated 30 October 2013 and entered into between Tianrui Cement and Chairman Li
“Directors”	the directors of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and approve, among others, the Framework Agreement and the transactions contemplated thereunder
“Framework Agreement”	the agreement dated 30 October 2013 entered into between Tianrui Cement and Tianrui Group pursuant to which the parties thereto have agreed to provide guarantees to each other
“Group”	the Company and its subsidiaries
“Guarantees”	the Tianrui Group Guarantee(s) and the Tianrui Cement Guarantee(s)
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	an independent committee of the Board comprising all the independent non-executive Directors established for the purpose of advising the Independent Shareholders on the Framework Agreement and the transactions contemplated thereunder

DEFINITIONS

“Independent Shareholders”	has the meaning ascribed to it under the Listing Rules
“Latest Practicable Date”	5 November 2013, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	the People’s Republic of China, for the purpose of this circular, excluding Hong Kong, Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Hong Kong Securities and Future Ordinance (Chapter 571 of the laws of Hong Kong)
“Share(s)”	ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the issued Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“TC Capital”	TC Capital Asia Limited, a licensed corporation under the SFO to engage in type 1 (dealing in securities) and type 6 (advising on corporate finance) regulated activities
“Term”	the term of the Framework Agreement, being 24 months from the date on which all the conditions precedent thereto are fulfilled
“Tianrui Cement”	Tianrui Group Cement Company Limited (天瑞集團水泥有限公司), a wholly foreign-owned enterprise established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Tianrui Cement Guarantee”	the guarantee to be provided by Tianrui Cement to Tianrui Group (inclusive of their subsidiaries) pursuant to the Framework Agreement
“Tianrui Group”	Tianrui Group Joint Stock Limited Company (天瑞集團股份有限公司), a joint stock company established in the PRC with limited liability and a company controlled by Chairman Li
“Tianrui Group Guarantee”	the guarantee provided by Tianrui Group to Tianrui Cement (inclusive of their subsidiaries) under the Framework Agreement

LETTER FROM THE BOARD



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1252)

Directors:

Chairman and Non-executive Director:

Mr. Li Liufa

Executive Directors:

Mr. Yang Yongzheng

Mr. Xu Wuxue

Mr. Wang Delong

Non-executive Director:

Mr. Tang Ming Chien

Independent Non-executive Directors:

Mr. Kong Xiangzhong

Mr. Wang Ping

Mr. Ma Chun Fung Horace

Registered Office:

Cricket Square Hutchins Drive

PO Box 2681 Grand Cayman

KY1-1111 Cayman Islands

Place of Business in PRC:

No. 63 Guangcheng Road East

Ruzhou City, Henan Province

PRC

8 November 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF MUTUAL GUARANTEES

INTRODUCTION

Reference is made to the Company's announcement dated 30 October 2013 in relation to the major and continuing connected transactions contemplated under the Framework Agreement.

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

LETTER FROM THE BOARD

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

MAJOR TERMS OF FRAMEWORK AGREEMENT AND THE TRANSACTIONS CONTEMPLATED THEREUNDER

I. Major Terms of Framework Agreement

1. **Date**

30 October 2013

2. **Parties**

Tianrui Cement; and

Tianrui Group

3. **Mutual Guarantee**

Pursuant to the Framework Agreement, Tianrui Group, an associate of Chairman Li, has agreed, during the Term, to provide guarantees, directly by itself or through its subsidiaries, with respect to Tianrui Cement or its subsidiaries, for bank loans to be borrowed and/or debentures or corporate bonds to be issued by any of them (“**Tianrui Group Guarantee**”).

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

LETTER FROM THE BOARD

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

No commission is payable by Tianrui Cement and Tianrui Group to each other in connection with any of the Guarantees, which the Directors consider is fair and reasonable to the Company and its shareholders on basis set out as follows:

- (1) Commission in relation to guarantee is normally calculated based on the annual amount of the guarantees. The proposed Annual Caps (as defined below) of Tianrui Group Guarantee are higher than those of Tianrui Cement Guarantee, and it is also expected that the amount to be utilized under Tianrui Group Guarantee is greater than the amount under Tianrui Cement Guarantee; therefore, the commission payable by Tianrui Cement under the Tianrui Cement Guarantee would be greater than that by Tianrui Group under the Tianrui Group Guarantee; and
- (2) The financial and credit status of a borrower normally also affects the rate of the commission of guarantee. As advised by TC Capital, Tianrui Group suggests a healthier liquidity as compared to Tianrui Cement; therefore, if the commission is paid by Tianrui Cement and Tianrui Group to each other in relation to the Guarantees, the rate of commission for Tianrui Group would be at least no less than that for Tianrui Cement.

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

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

4. **Conditions Precedent**

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

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

LETTER FROM THE BOARD

5. Annual Caps for the Guarantees

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

	First 12 months of the Term	Second 12 months of the Term
	<i>RMB (million)</i>	<i>RMB (million)</i>
Tianrui Cement Guarantee	2,200	3,000
Tianrui Group Guarantee	5,200	6,000

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

- (a) funding needs of the Tianrui Group and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business) for current level of business activities. As advised by the management of Tianrui Group, it is expected that approximately RMB2,200 million bank facilities and/or debentures or corporate bonds will be required for current level of business activities of Tianrui Group and its subsidiaries during the Term; and
- (b) increase in future capital requirements of Tianrui Group and its subsidiaries (excluding any of its subsidiaries engaged in aluminum-related business). As advised by the management of Tianrui Group, it is expected that approximately RMB400 million bank facilities and/or debentures or corporate bonds will be required for refinancing the existing debt obligations and the rest of the bank facilities with an aggregate amount of approximately RMB400 million will be used for working capital and other general corporate purpose during the Term.

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

- (a) anticipated acquisition of cement and clinker production lines within Henan and Liaoning provinces. As disclosed in the Company’s interim report for the six months ended 30 June 2013, during the reporting period, the Group already acquired four cement and clinker enterprises, comprising one clinker production line with an aggregate annual production capacity of approximately 1.2 million tonnes per annum, and five cement production lines with an aggregate annual production capacity of approximately 4.0 million tonnes per annum. The management of the Company is evaluating acquisition opportunities that may provide the Group with access to additional markets in China, production capacity and limestone reserves. In particular, the Group will focus on large-scale NSP clinker and cement production lines that are newly put into operation with sufficient limestone reserves and necessary permits, certificates and licenses. In line with this expansion and consolidation strategy, the Group plans to spend approximately RMB3,000 million to be guaranteed by Tianrui Group for the acquisitions of three clinker production lines with an

LETTER FROM THE BOARD

aggregate annual production capacity of approximately 4.6 million tonnes per annum and five cement production lines with an aggregate annual production capacity of approximately 5 million tonnes per annum in Liaoning and Henan provinces in or before 2015;

- (b) working capital needs of the Tianrui Cement and its subsidiaries for current level of business activities. The operating activities and short-term bank loans and debentures of the Group generate working capital that the Group depends on for its business operations and capital expenditures. As at 31 December 2011 and 2012, the Group had obtained the total short-term loans and debentures of approximately RMB5,446.9 million and RMB5,902.9 million, respectively. According to the management of Tianrui Cement, the future success of Tianrui Cement depends on its ability to continue to secure and successfully manage sufficient amounts of working capital. It is expected that approximately RMB1,000 million short-term bank loans and debentures to be guaranteed by Tianrui Group will be obtained during the Term; and
- (c) funds needs of refinancing short-term borrowings of Tianrui Cement and its subsidiaries. As advised by the management of Tianrui Cement, it is expected that approximately RMB2,000 million bank facilities and/or debentures or corporate bonds will be used for refinancing the existing debt obligations with maturities within one year during the Term.

6. **Effective Period**

The Framework Agreement shall be effective for a term (“**Term**”) of 24 months from the date on which all the conditions precedent thereto are fulfilled.

II. **Counter Guarantee**

On the same date as the Framework Agreement, Chairman Li, the ultimate controlling shareholder of Tianrui Cement, entered into the Counter Guarantee Agreement with Tianrui Cement, pursuant to which Chairman Li has agreed to indemnify Tianrui Cement by means of the Counter Guarantee for any amount that Tianrui Cement or its subsidiaries would have to pay in accordance with the terms and conditions of each Tianrui Cement Guarantee under the Framework Agreement, including the principal amount of the relevant loan, debenture or corporate bond, any interest, fees, damages and enforcement expenses for breach of the relevant loan, debenture or corporate bond.

The Board considers the Counter Guarantee is provided to the Group on terms better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Counter Guarantee is exempted from reporting, announcement and independent shareholders’ approval requirements according to Rule 14A.65(4) of the Listing Rules.

LETTER FROM THE BOARD

REASONS FOR AND BENEFITS OF THE FRAMEWORK AGREEMENT

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

- (a) It is common commercial practice for lenders in China to require the provision of guarantees as security for provision of loans to a borrower. In particular, for a privately-owned company like Tianrui Cement, the PRC banks oftentimes require the provision of the third-party guarantee for granting a loan.
- (b) Since 2012, Chinese banks have further tightened lending requirements, particularly with respect to lending to those companies with rapid expansion and high leverage. In March 2013, China Banking Regulatory Commission (“**CBRC**”) issued guidelines to alert major banks to pay special attention when lending to enterprises in nine industries, including the cement industry (the “**CBRC Guidelines**”). The CBRC Guidelines were issued as part of China’s drive to control risk, particularly loan risk in the cement and various other targeted sectors, as the CBRC seeks to curtail high levels of non-performing loans. As a result, the PRC banks have implemented more stringent credit extension and security requirements, including those for cement companies. As at 30 September 2013, the banking facilities of Tianrui Cement were in an aggregate amount of RMB11,407.5 million. These banking facilities were secured by the assets of Tianrui Cement or guarantees and mainly used for acquisitions of clinker and cement production lines, working capital and other general corporate purpose. In order to renew or extend the existing bank facilities and obtain new loans pursuant to the CBRC Guidelines, it is therefore important for the Group to secure a reliable source for the provision of such guarantees on terms favourable to the Group.
- (c) The Group’s business is capital-intensive. While the Group has continuously sought to diversify its external funding sources, the domestic PRC bank loans remain critical to the Group meeting its financing needs. Consistent with its business strategy, the Group intends to engage in business acquisitions so as to benefit from the consolidation trend in China’s cement industry and ensure the sustainable development of the Group’s business in the long term. Through the guarantees to be provided by Tianrui Group pursuant to the Framework Agreement, the Group will not only be able to enhance its ability to obtain bank loans and other borrowings, but also have the flexibility to approve and finalize the relevant loans and borrowings in a timely manner, which is important to the Group’s implementation of business expansion, particularly in relation to business acquisitions.
- (d) With respect to the Tianrui Cement Guarantee:
 - (i) Tianrui Cement will have recourse against Tianrui Group for Tianrui Cement’s potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group, Tianrui Group shall provide the primary guarantee. Furthermore, Tianrui Group will agree to indemnify Tianrui Cement for any amount it would have paid in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan;

LETTER FROM THE BOARD

- (ii) Chairman Li agreed to indemnify Tianrui Cement for any amount that Tianrui Cement would have paid to the lenders in accordance with the terms and conditions of each individual guarantee under the Framework Agreement;
- (iii) The following table sets out the selected consolidated financial figures of Tianrui Group prepared in accordance with the PRC generally accepted accounting principles for the periods or as of the dates indicated:

	For the year ended 31 December	
	2012	2011
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Revenue	9,174,044	9,623,024
Net Profit	1,411,483	1,264,642
Net cash from operation	1,397,153	1,827,264

	As at 31 December	
	2012	2011
	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Cash and bank balances	4,882,616	4,159,970
Total assets	46,116,021	25,887,956
Total liabilities	25,317,572	19,117,740
Contingent liabilities	nil	nil
Banking facilities	12,750,246	11,874,065

The figures set out above suggest that Tianrui Group has a sound financial status. In the meantime, Tianrui Group is engaged in various businesses of foundry, aluminum, tourism and hotel, which enables it to diversify its investment risks and be less sensitive to general business cycle of a single industry. Therefore, as advised by TC Capital, the Directors consider that Tianrui Group has the ability to provide the Tianrui Group Guarantee and that Chairman Li, as the founder of Tianrui Group and, together with his son, holding 100% registered capital of Tianrui Group, has the financial capability to provide the Counter Guarantee;

- (iv) Tianrui Cement will not provide guarantee to any of Tianrui Group's subsidiaries operating in aluminum-related business. In recent years, there has been a decrease in demand from aluminum end customers and the global primary aluminum market saw excess supply. The issue of excess market supply and overcapacity in the aluminum industry is also very acute in China. The Directors believe that the financial and credit status of aluminum enterprises has been materially and adversely affected by the

LETTER FROM THE BOARD

unfavorable industry and market conditions, and, therefore, it will reduce the exposure to credit risk of the Group under the Tianrui Cement Guarantee by not providing guarantee to any of Tianrui Group's subsidiaries operating in aluminum-related business;

- (v) As at the date of this circular, Tianrui Group did not have any repayment default in respect of any loan arrangements with banks; and
 - (vi) TC Capital, the independent financial adviser to the Independent Board Committee and the Independent Shareholders, believes that although the Tianrui Cement Guarantee will constitute a liability as stated at fair value in the consolidated financial statements of the Company and amortized over the Term, it shall not have any immediate and direct impact on the cash flow of the Group unless and until the realization of the Tianrui Cement Guarantee under the Framework Agreement.
- (e) In order to secure sufficient funds for the operations of the Group, the management of Tianrui Cement also considered the following measures as alternatives to the mutual guarantee under the Framework Agreement and the reasons for not adopting those measures are as follows:
- (i) Guarantees provided by an independent third party. As compensation for risk exposure of such guarantor, Tianrui Cement would need to pay a commission calculated based on the annual amount of the guarantee. Since the annual amount of the guarantee as suggested by the proposed Annual Caps for Tianrui Cement is relatively high, the commission charged by the guarantor would be costly for the Group. The Directors of the Company believe that it could be difficult for an independent third party to accept the terms of guarantees without commission;
 - (ii) Guarantees provided by the Company. The Company is established in the Cayman Islands and the banks of Tianrui Cement are all in China. In practice, the PRC banks normally would not accept the guarantees from a foreign entity. On the other hand, the primary assets the Company held are the equity interest in Tianrui Cement, which operates principal business of the Group in China. Therefore, from a lender's perspective, the guarantee from the Company will not provide any additional credit for Tianrui Cement to secure its bank facilities; and
 - (iii) Individual guarantee relating to each loan agreement. As described in (c) above, the Group's business is capital-intensive. Such arrangement could limit the flexibility for the Group to approve and execute the relevant loans and borrowings.

LETTER FROM THE BOARD

Risk Management Measures under the Framework Agreement

In order to minimize the risk exposure of Tianrui Cement in relation to the Tianrui Cement Guarantee pursuant to the Framework Agreement, the Board shall establish a special committee comprising not less than three members and the majority of the members shall be independent non-executive Directors of the Company. The special committee shall, during the Term:

- (a) review and approve each Tianrui Cement Guarantee under the Framework Agreement. The special committee has the right to fully understand the business operations and financial position of the borrower before approving each Tianrui Cement Guarantee under the Framework Agreement. It would not be a breach of the Framework Agreement if after a review of the financial position of the borrower, the special committee considers it inappropriate to approve such guarantee. To facilitate such review process, Tianrui Group and its subsidiaries shall timely provide their financial statements and other relevant information as requested by the special committee of the Company. The special committee will take into account the following factors for approving each Tianrui Cement Guarantee:
 - (i) No guarantee should be granted to a borrower with negative consolidated equity attributable to owners;
 - (ii) No guarantee should be granted to a borrower operating in aluminum-related business; and
 - (iii) No guarantee should be granted to a borrower where an event occurs that may constitute an event of default under any of its existing loan agreements.
- (b) monitor the implementation of each individual guarantee provided by Tianrui Cement or its subsidiaries under the Framework Agreement;
- (c) consider the suitability of the guaranteed company;
- (d) periodically review the management accounts and relevant financial information, and inspect the assets, books and records, of Tianrui Group; and
- (e) periodically review and examine any material adverse changes on the business, property, assets or operations of Tianrui Group, or its ability to perform any of its obligations under the Framework Agreement.

In view of the above-mentioned factors, the Directors (including the independent non-executive Directors) are of the view that the terms of the Framework Agreement, including the Annual Caps for the Tianrui Cement Guarantee, are fair and reasonable and in the interests of the Company and its Shareholders as a whole.

LETTER FROM THE BOARD

EFFECT OF THE TRANSACTIONS ON THE FINANCIAL POSITION OF THE GROUP

Unless the Tianrui Cement Guarantee is realized, Chairman Li failed to honour his obligation under the Counter Guarantee and when actual economic benefits flow out from Tianrui Cement due to the discharge of its obligation, as advised by TC Capital, the Directors believe that the Framework Agreement is not likely to have a substantial impact on the financial position of the Group.

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

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

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

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

LISTING RULES IMPLICATIONS

As confirmed by Tianrui Group and so far as the Directors are aware, more than 30% of the entire capital of Tianrui Group is beneficially and indirectly owned by Chairman Li, a non-executive Director and Controlling Shareholder of the Company. Therefore, Tianrui Group is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules.

As one or more of the applicable percentage ratios exceed 5%, the Tianrui Cement Guarantee contemplated under the Framework Agreement is subject to the reporting, announcement and independent shareholders' approval requirements under the Listing Rules. Further, the provision of Tianrui Cement Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules.

LETTER FROM THE BOARD

As the amount of the Annual Cap for the second 12 months of the Term of Tianrui Cement Guarantee exceeds 8% under the assets ratio as defined under Rule 13.13 of the Listing Rules, the grant of Tianrui Cement Guarantee under the Framework Agreement is also subject to the general disclosure obligations under Rule 13.15 of the Listing Rules.

The Board considers the Tianrui Group Guarantee is provided to the Group on terms better for the Group and no security shall be provided over the assets of any member of the Group in relation to such guarantee; therefore, the Tianrui Group Guarantee is exempted from reporting, announcement and independent shareholders' approval requirements according to Rule 14A.65(4) of the Listing Rules.

Due to Chairman Li's interests in the transactions contemplated under the Framework Agreement, he, together with his associates, shall be required to abstain and has abstained from voting on the board resolutions approving the Framework Agreement and the transactions contemplated thereunder including the Annual Caps. Save as mentioned above, none of the Directors has material interest in the transactions and hence no other Director has abstained from voting on such board resolutions.

EXTRAORDINARY GENERAL MEETING

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

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

GENERAL INFORMATION ON THE PARTIES

Tianrui Cement is a wholly-owned subsidiary of the Company and, together with its subsidiaries, is principally engaged in businesses ranging from excavation of limestone, to production, sale and distribution of clinker and cement.

Tianrui Group, established in Henan province in 1983, has developed into a large-scale conglomerate with 14 wholly-owned subsidiaries engaged in a variety of operations including foundry, aluminum, tourism and hotel over the past 30 years. As at 30 June 2013, the total assets of Tianrui Group were approximately RMB47 billion based on its unaudited consolidated financial statements under PRC generally accepted accounting principles, and it had approximately 12,750 full-time

LETTER FROM THE BOARD

employees. In August 2013, the All-China Federation of Industry & Commerce (中華全國工商業聯合會), a unit of the National Committee of the Chinese People's Political Consultative Conference, published the list of yearly top 500 private enterprises in the PRC in which Tianrui Group ranked 132nd in 2013, up from 147th in 2012.

RECOMMENDATION

Your attention is drawn to the letter from the Independent Board Committee set out on pages 15 to 16 of this circular and the letter of advice from TC Capital to the Independent Board Committee and the Independent Shareholders set out on pages 17 to 30 of this circular in connection with the Framework Agreement and the transactions contemplated thereunder and the principal factors and reasons considered by TC Capital in arriving at such advice.

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

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

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

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

LETTER FROM THE INDEPENDENT BOARD COMMITTEE



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. Ma Chun Fung Horace

8 November 2013

To the Shareholders

Dear Sir or Madam,

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF MUTUAL GUARANTEES

We refer to the circular of the Company dated 8 November 2013 (the “**Circular**”) of which this letter forms part. Unless the context otherwise requires, terms defined in the Circular shall have the same meanings when used herein.

We have been appointed by the Board to form the Independent Board Committee to consider and advise the Independent Shareholders as to whether, in our opinion, the terms of the Framework Agreement and the Tianrui Cement Guarantee contemplated thereunder are in the ordinary and usual course of business of the Group and on normal commercial terms, and whether, in our opinion, the terms of the Framework Agreement and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Having considered the terms of the Framework Agreement and the advice of TC Capital in relation thereto as set out on pages 17 to 30 of the Circular, we are of the opinion that the Framework Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Group but are on terms better for the Group and the Annual Caps provided in the Framework Agreement are fair and reasonable, and therefore are in the interests of the Company

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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

Yours faithfully,
Independent Board Committee

Kong Xiangzhong
Independent
non-executive director

Wang Ping
Independent
non-executive director

Ma Chun Fung Horace
Independent
non-executive director

LETTER FROM TC CAPITAL ASIA LIMITED

The following is the full text of the letter from the TC Capital Asia Limited setting out the advice to the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement and the proposed guarantee limits and has been prepared for the purpose of inclusion in this circular.



TC Capital Asia Limited
天財資本亞洲有限公司

8 November 2013

The Independent Board Committee and the Independent Shareholders
China Tianrui Group Cement Company Limited (the “**Company**”)

MAJOR AND CONTINUING CONNECTED TRANSACTIONS

FRAMEWORK AGREEMENT IN RELATION TO PROVISION OF MUTUAL GUARANTEES

Dear Sirs,

INTRODUCTION

We refer to our appointment as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Framework Agreement, the details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 8 November 2013 issued by the Company to the Shareholders (the “**Circular**”). This letter forms part of the Circular. Terms used in this letter shall have the same meanings as those defined in the Circular unless the context requires otherwise.

As confirmed by Tianrui Group and so far as the Directors are aware, more than 30% of the entire capital of Tianrui Group is beneficially and indirectly owned by Chairman Li, a non-executive Director and Controlling Shareholder of the Company. Therefore, Tianrui Group is a connected person of the Company under the Listing Rules. Accordingly, the transactions contemplated under the Framework Agreement constitute continuing connected transactions for the Company under the Listing Rules. As one or more of the applicable percentage ratios exceed 5%, the Tianrui Cement Guarantee contemplated under the Framework Agreement are subject to the reporting, announcement and independent shareholders’ approval requirements under the Listing Rules. Further, the provision of Tianrui Cement Guarantee constitutes a major transaction under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Mr. Kong Xiangzhong, Mr. Ma Chun Fung Horace and Mr. Wang Ping (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are

LETTER FROM TC CAPITAL ASIA LIMITED

concerned; (ii) whether the Framework Agreement is in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders would vote in respect of the relevant resolution(s) to approve the Framework Agreement and the transactions contemplated thereunder at the EGM. We have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and the senior management of the Company. We have assumed that all information and representations that have been provided by the Directors and the senior management of the Company, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as the date of this letter. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. 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, which to the best of their knowledge and belief, that the information contained in the 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 in the Circular or the Circular misleading. We have no reason to doubt that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or Directors, which have been provided to us. 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 not, however, conducted any independent investigation into the businesses and affairs of the Group and Tianrui Group, or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Guarantees and the Counter Guarantee. Our opinion is necessary based on the financial, economic, market and other conditions in effect and the information made available to us as at the date of this letter. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the date of this letter, or to update, revise or reaffirm our opinion.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Framework Agreement, we have taken into consideration the following principal factors and reasons:

(1) Background of the Framework Agreement

Information on 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 out by Tianrui Cement and its subsidiaries and range from excavation of limestone to production, sales and distribution of clinker and cement.

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

Information on the Tianrui Group

Tianrui Group is a company held as to 51.25% and 48.75% by Chairman Li and Mr. Li Xuanyu, the son of Chairman Li, and is principally engaged in foundry business, aluminum business, tourism and hotel business. By virtue of the shareholdings of Chairman Li and Mr. Li Xuanyu in the Company and Tianrui Group, Tianrui Group is a connected person of the Company.

Relationship between the Group, Tianrui Group, Chairman Li and Mr. Li Xuanyu pertaining to the Framework Agreement

Chairman Li, Mr. Li Xuanyu and Tianrui Group used to provide guarantees and/or security to/from the Group prior to the listing of the Shares in 2011. In February 2013, Tianrui Cement, a wholly-owned subsidiary of the Company, successfully completed an issuance of corporate bonds in an aggregate principal amount of RMB2 billion to institutional investors. Such corporate bonds are jointly and severally guaranteed by Tianrui Group Foundry Company Limited and Tianrui Group Travel Development Company Limited, which are wholly-owned subsidiaries of Tianrui Group. The guarantees were provided at no cost to Tianrui Cement.

In anticipation of the forthcoming financing needs of each of Tianrui Group and Tianrui Cement (and their subsidiaries) such that it would be mutually beneficial to Tianrui Group and Tianrui Cement to enter into the mutual guarantee, the Company and Tianrui Group on 30 October 2013 entered into the Framework Agreement pursuant to which, in the event that the relevant loan, debenture or corporate bond is to be borrowed or issued by any of Tianrui Group's subsidiaries, Tianrui Group shall provide the primary guarantee to the lenders in respect to the loan, debenture or corporate bond while Tianrui Cement Guarantee shall only be provided as additional credit support. The Framework Agreement shall be effective for a period of two years from the date the conditions precedent thereof are satisfied. Tianrui Group shall enter into an agreement with Tianrui Cement to indemnify Tianrui Cement for any amount that Tianrui Cement would have paid in accordance with the terms and conditions of the Tianrui Cement Guarantee, including the principal amount of the relevant loan, debenture or corporate bond, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bond.

The Company has advised us that Tianrui Cement, rather than the Company, is entered into Framework Agreement primarily because (i) the listed company is established in the Cayman Islands and the banks of Tianrui Cement, which are all banks in the PRC, would not normally accept guarantees from a foreign entity; (ii) the only operating asset the Company held is the equity interest in Tianrui Cement and its subsidiaries in the PRC such that the guarantee from the Company will not provide any additional credit for Tianrui Cement to secure its bank facilities; and (iii) in practice, the PRC banks oftentimes require the guarantee from a third-party with sound financial and credit status.

LETTER FROM TC CAPITAL ASIA LIMITED

(2) Principal terms of the Framework Agreement

As stated in the Board Letter, pursuant to the Framework Agreement, either Tianrui Cement or Tianrui Group (directly through itself or its subsidiaries, in respect of Tianrui Group, excluding any of its subsidiaries engaged in aluminum-related business), subject to having fully understood the borrower's business obligations and financial position and the guarantee limits, the guarantor shall provide a guarantee to the lenders for the obligation of that borrowing party should any party thereto apply for loan, debenture or corporate bond from the lenders. For further details of the terms and conditions of the Framework Agreement, please refer to the Board Letter.

(3) Analysis of the Framework Agreement and the Annual Caps for the Guarantees

Financial position of the Group

The following tables set out the selected financial information of the Group for the two years ended 31 December 2012 and six months ended 30 June 2013, and as at 30 June 2013 and 31 December 2012, respectively:

	For the six months ended 30 June 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>RMB'000 (unaudited)</i>	<i>RMB'000 (audited)</i>	<i>RMB'000 (audited)</i>
Revenue	3,722,302	7,590,897	8,263,395
Earnings before interest and tax ("EBIT")	723,175	1,597,074	2,161,822
Finance costs	342,015	570,023	475,269
Net profit	276,500	762,789	1,273,188
Net cash from operation	152,763	1,892,972	2,428,015
Financial ratios			
Net margin (%)	7.43%	10.05%	15.41%
EBIT margin (%)	19.43%	21.04%	26.16%
Interest coverage (EBIT / finance costs) (times)	2.11	2.80	4.55

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	As at 30 June 2013	As at 31 December 2012
	<i>RMB'000</i>	<i>RMB'000</i>
	<i>(unaudited)</i>	<i>(audited)</i>
Cash and bank balances	502,332	553,677
Current assets	6,987,748	6,652,293
Non-current assets	13,735,610	12,188,003
Total assets	20,723,358	18,840,296
Current liabilities	9,688,641	10,410,297
Total liabilities	13,989,360	12,496,836
Net current liabilities	2,700,893	3,758,004
Net assets	6,733,998	6,343,460
Total debt*	10,254,697	7,793,364
Financial ratios		
Current ratio (times)	0.72	0.64
Total debt* to total equity (%)	152.3%	122.9%

(* Total debt is calculated by the sum of borrowings, debentures, corporate bonds and obligations under finance leases)

For the year ended 31 December 2012, the Group recorded consolidated revenue of approximately RMB7,591 million, representing a decrease of 8.1% from approximately RMB8,263 million in 2011. The decrease is attributable to tightened macroeconomic policies in the PRC and drop in demand for cement products owing to the slowdown of the economy. As a result of the decrease in turnover, combined with the effect of decrease in selling prices and increase in finance costs, net profit dropped 40.1% in 2012 to approximately RMB763 million.

The Group recorded net current liabilities position as at 30 June 2013 and 31 December 2012. The net current liabilities position was mainly due to outstanding short-term bank borrowings and trade and other payables. The liquidity of the Group is dependent on the timing of payment of trade and other payables and repayment of short term borrowings as and when they become due, when the Group may be required to have access to financing or timely collect its receivables. From 31 December 2012 to 30 June 2013, the Company's gearing ratio (calculated by dividing net borrowings by equity attributable to owners of the Company) rose from 71.3% to 119.5%.

As published in the Company's interim report 2013, borrowings due within one year and short-term bonds increased from RMB5,902.9 million as at 31 December 2012 to RMB6,183.4 million as at 30 June 2013, primarily due to the fact that the Company newly issued two series of short-term bonds. Borrowings due after one year and mid-term bonds increased from RMB1,661.0 million as at 31 December 2012 to RMB1,864.0 million as at 30 June 2013, primarily due to the fact that the Company newly issued two series of mid-term bonds. In addition, Tianrui Cement, a wholly-owned subsidiary of the Company, successfully completed the issue of corporate bonds (the "2013 Bonds") in the aggregate principal amount of RMB2 billion to institutional investors.

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As at 30 September 2013, the banking facilities of Tianrui Cement were in an aggregate amount of approximately RMB11,408 million. Certain of the banking facilities are secured by assets, guarantee given by Tianrui Cement for its subsidiaries, or both. These banking facilities were secured by the assets of Tianrui Cement or guarantees and mainly used for refinancing the existing debt obligations, working capital and other general corporate purposes.

We understand that the Group's operations rely heavily on borrowings to finance the construction of production facilities, the acquisition of clinker and cement production lines in Henan and Liaoning provinces and effective management of the Group's working capital. We have examined the gearing ratios of cement companies that are listed on the Stock Exchange and noted that such highly leveraged financial position is common, as illustrated below:

Company Name (Stock Code)	Total Debt / Equity (%)	Company Name (Stock Code)	Total Debt / Equity (%)
China Shanshui Cement Group Limited (691)	143.82	China Resources Cement Holdings Limited (1313)	101.14
China National Materials Company Limited (1893)	122.97	China National Building Material Company Limited (3323)	350.13

(Source: Bloomberg, figure as at the latest financial year end date of the respective company)

So far as we are aware, the provision of financial guarantee from cement companies that are listed on the Stock Exchange to their controlling shareholders is not common.

Future development and prospect of the Group

We have discussed with the management the future development and prospect of the Group and understood that to strengthen the Group's leading and competitive position in the Henan and Liaoning regions, the Group intends to pursue organic growth and selective acquisitions in the next few years.

The Group is recognized as one of the 12 national key cement enterprises by the PRC government and one of the five cement enterprises encouraged by the Ministry of Industry and Information Technology to carry out industry-specific mergers and consolidation in central China in order to eliminate non-competitive production lines of clinker and cement. Incentives such as tax incentive and special project or financing approval are provided to the Group for taking steps to help consolidate the incumbent cement operators of the regions. The Group believes that the consistent policy application by the central government to maintain stable economic growth and the pace of urbanization, which leads to sustainable development in the cement industry, would be beneficial to the Group's business.

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In order to implement the above development plans, in addition to the cash generated from the Group's operation, the Group continuously seeks financing from, among others, bank borrowings or issuance of corporate bonds to settle the acquisition consideration, modify the acquired production lines, improve capacity, upgrade technology and reduce wastage and consumption. In the first half of 2013, the Group already acquired four cement and clinker enterprises, comprising one clinker production line with an aggregate production capacity of approximately 1.2 million tonnes per annum and five cement production lines with an aggregate production capacity of approximately 4.0 million tonnes per annum. According to the management of the Company, the proceeds of RMB1.84 billion out of RMB2 billion from the 2013 Bonds have been used for the acquisitions and relevant fixed assets purchases and technical improvement.

We have also discussed with the management of the Company and obtained and reviewed minutes of internal senior management meeting in relation to the expected scale of expansion and implementation plan through proposed acquisitions and a list of potential target companies which the Company might have interest to acquire. We have been informed that the Company tentatively plans to spend RMB3 billion for acquisition of cement or clinker production plants with target annual production capacity of approximately 4.6 million tonnes and 5 million tonnes, respectively, in or before 2015. The Group expects it will incur further capital expenditure of RMB1.5 billion on acquired enterprise modification and technology upgrade. The Group has not yet entered into any formal agreement or letter of intent, or identified any precise targets. Nevertheless, we believe that the Company is committed to the aforesaid acquisitions. To facilitate the acquisitions, the Group has started discussions with banks in the PRC for loan facility for the Group to draw down for the settlement of consideration and we are advised that three banks tend to agree to grant the facilities in an aggregate amount of approximately RMB5 billion. Assuming these facilities were being drawn up as at 30 June 2013, the Group's total debt would add up to approximately RMB15.3 billion. We have reviewed the financial statements of the Group, in particular the net cash from operation, and believe that external borrowings shall be a major form of financing to, among others, settle acquisition consideration, if any. It is also common commercial practice for lenders in China to require the provision of guarantees as security for provision of loans to a borrower. We therefore agree that the backup of Tianrui Group in the form of financial guarantee allows the Group to have better position to negotiate for the terms of the loans.

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Liquidity position of Tianrui Group

The following tables set out the selected financial information of Tianrui Group prepared in accordance with PRC generally accepted accounting principles for the two years ended 31 December 2012 and the six months ended 30 June 2013:

	For the six months ended 30 June 2013	For the year ended 31 December 2012	For the year ended 31 December 2011
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Revenue	4,463,842	9,174,044	9,623,024
EBIT	867,767	2,524,498	2,484,464
Finance costs	405,296	827,888	802,609
Net profit	353,214	1,411,483	1,264,642
Net cash from operation	655,666	1,397,153	1,827,264
Financial ratios			
Net margin (%)	7.91%	15.39%	13.14%
EBIT margin (%)	19.44%	27.52%	25.82
Interest coverage (EBIT / finance costs) (times)	2.14	3.05	3.10
	As at 30 June 2013	As at 31 December 2012	As at 31 December 2011
	<i>RMB'000</i> <i>(unaudited)</i>	<i>RMB'000</i> <i>(audited)</i>	<i>RMB'000</i> <i>(audited)</i>
Cash and bank balances	4,469,372	4,882,616	4,159,970
Current assets	11,189,225	12,180,046	11,135,950
Non-current assets	35,812,283	33,935,975	14,751,007
Total assets	47,001,508	46,116,021	25,887,956
Current liabilities	14,261,210	16,934,383	13,994,663
Net current liabilities	3,071,985	4,754,337	2,858,713
Non-current liabilities	11,498,547	8,383,189	5,123,077
Total liabilities	25,759,757	25,317,572	19,117,740
Net assets	21,241,751	20,798,449	6,770,216
Total debt*	15,423,020	14,401,246	13,414,287
Financial ratios			
Current ratio (times)	0.78	0.72	0.80
Total debt* to equity ratio (times)	72.6%	62.7%	180.9%

(*Total debt is calculated by sum of borrowings, bills payables and bonds)

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Compared to the Group, in 2011 and 2012 and for the six months ended 30 June 2013, Tianrui Group's net margins (13.14%, 15.39% and 7.91%) were in a slightly higher range than the Group's (15.41%, 10.05% and 7.43%). Tianrui Group's interest coverage and EBIT margins were in similar range as those of the Group's in 2011, 2012 and for the six months ended 30 June 2013.

In the perspective of financial position, Tianrui Group suggests a healthier liquidity compared to the Group as Tianrui Group's debt to equity ratio as at 30 June 2013 was 72.6% and the Group's was 152.3%. As at 30 June 2013, Tianrui Group's current ratio of 0.78 was also higher than the Group's 0.72. The Group's current ratio which slightly improved from 0.64 as at 31 December 2012 to 0.72 as at 30 June 2013 was due partly to the issues of two series of mid-term bonds and the long-term 2013 Bonds. Besides, Tianrui Group was injected capital by its shareholders in 2012 such that the registered capital increased from RMB820 million in 2011 to RMB1,250 million and at 30 June 2013, Tianrui Group's cash and bank balances was approximately RMB4.5billion (the Group: RMB0.50 billion).

Moreover, Tianrui Group is engaged in several business segments which enable it to diversify its business risks and be less sensitive to general business cycle of a single industry.

In August 2013, the All-China Federation of Industry & Commerce (中華全國工商業聯合會), a unit of the National Committee of the Chinese People's Political Consultative Conference, published the list of yearly top 500 private enterprises in the PRC in which Tianrui Group ranked 132nd in 2013, up from 147th in 2012.

In view of the solid cash position of Tianrui Group and its diversified business portfolio, we concur with the Directors that Tianrui Group will be capable to settle the liabilities arising from the loans obtained from the lenders under the Annual Caps, in case the loans are guaranteed by Tianrui Cement, if any. We also concur with the Directors that with the guarantee provided by Tianrui Group pursuant to the Framework Agreement, the Group can have easier access to loans or facilities from the lenders possibly with lower interest rate.

Annual Caps for the Guarantees

The following table sets out the guarantee limits given by Tianrui Group and Tianrui Cement during the Term:

	First 12 months of the Term	Second 12 months of the Term
	<i>RMB (million)</i>	<i>RMB (million)</i>
Tianrui Group Guarantee	5,200	6,000
Tianrui Cement Guarantee	2,200	3,000

In assessing the reasonableness of the proposed guarantee limits, we have discussed with the management of the Company the intended utilization of the mutual guarantee. As advised by the management of the Company, the 2013 Bonds are guaranteed by the subsidiaries of Tianrui Group, the guarantee for the amount of RMB2 billion was given at no cost and shall not be counted as part of the guarantee limit under the Framework Agreement.

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We are informed that Tianrui Cement is contemplating to obtain a loan from a leading bank in the PRC and such loan, in the amount of RMB1,000 million, was tentatively approved by the bank, subject to a guarantee provided by Tianrui Group. As discussed above, Tianrui Cement is also discussing with banks the possible provision of facilities in the near future, which shall be used for (i) acquisition of clinker and cement production lines and their subsequent modification; (ii) refinancing of existing loans; and (iii) general working capital use. The tentatively intended aggregate amount under such facilities would amount to approximately RMB4.1 billion. The foreseeable facilities, to be guaranteed by Tianrui Group, together with the RMB1,000 million loan, would result in the Group's borrowing amount guaranteed by Tianrui Group reaching approximately RMB5.2 billion within one year after the effect date of the Framework Agreement. In the second year, the Company expects a further facility from a rural credit union in the amount of RMB800 million to be guaranteed by Tianrui Group for the refinancing of existing loans and general working capital use. As discussed in the paragraphs headed "Future development and prospect of the Group" above, the Company will require the guarantee from Tianrui Group for the settlement of acquisition consideration. Taking also into account the working capital needs of the Group and the financial position of the Group which would require from time to time rolling over of its existing borrowings, we share the same view of the Directors that the Tianrui Group Guarantee has been determined with an appropriate ground and are fair and reasonable so far as the Independent Shareholders are concerned. Maximum amount of Tianrui Group Guarantee of RMB6 billion represents 12.8% of the consolidated total assets of Tianrui Group as at 30 June 2013, which is comprised of solid cash position, and we therefore are of the view that Tianrui Group has the ability to discharge its obligation under the Tianrui Group Guarantee.

In respect of Tianrui Group and as advised by the management of Tianrui Group, it is expected that approximately RMB2,200 million bank facilities and/or debentures or corporate bonds will be used for current level of business activities of Tianrui Group and its subsidiaries during the Term. We are given the representation that Ruzhou Tianrui Coal Coking Company Limited and Tianrui Group Yunyang Foundry Company Limited, both wholly-owned subsidiaries of Tianrui Group are negotiating loans in the amount of RMB522 million and RMB250 million, respectively, with a leading bank in the PRC, to finance their respective operation. The bank has requested that such loans be guaranteed by Tianrui Cement for additional credit support, given the relationship between Tianrui Group and the Group and Tianrui Cement is acceptable to the bank as a guarantor to meet the bank's internal loan approval requirements. We are advised by the Company that Tianrui Cement is requested instead of the Company to provide the guarantee primarily because (i) the listed Company is established in the Cayman Islands and the banks of Tianrui Cement are all in China, PRC banks which have business connection with the Company would not accept guarantees from a foreign entity, e.g. the Company; (ii) the only operating asset the listed company held is the equity interest in Tianrui Cement and its subsidiaries in the PRC such that the guarantee from the listed company will not provide any additional credit for Tianrui Cement to secure its bank facilities; and (iii) in practice, the PRC banks oftentimes require the guarantee from a third-party with sound financial and credit status. For the tourism business of Tianrui Group, we are given to understand that Tianrui Group expects new loan/facility of RMB600 million possibly to be guaranteed by Tianrui Cement and its subsidiaries for the business expansion. Other than the above loans/facility, the management of the Company represented to us that Tianrui Group is not currently contemplating for obtaining any other loan/facility from lenders. For the second year, Tianrui Group expects further amount of RMB800 million to be guaranteed by the Tianrui Cement, same as the increment of the Tianrui Group Guarantee

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in the second year. As advised by the management of Tianrui Group, it is expected that approximately RMB400 million bank facilities and/or debentures or corporate bonds will be used for refinancing the existing debt obligations and the rest of the bank facilities with an aggregate amount of approximately RMB400 million will be used for working capital and other general corporate purpose during the Term. The guarantee limit given by Tianrui Group is approximately 2.3 times and 2 times of the guarantee limit given by the Group in the first year and second year after the effective date of the Framework Agreement, respectively.

The management of the Company has informed us that the guarantee limits have been negotiated commercially and at arm's length and failure to obtain guarantee from Tianrui Group would materially affect its business development plan, increase the Group's cost of financing and make it difficult for the Group to obtain loans from lenders. Taking into account the foregoing factors, in particular the business development needs of the Group and guarantee limit given by Tianrui Group is at least twice in amount of that given by Tianrui Cement, we agree with the Directors that failure to obtain guarantee from Tianrui Group would materially affect its business development plan and the guarantee limits given by Tianrui Cement during the Term are fair and reasonable so far as the Independent Shareholders are concerned.

Counter guarantee offered by Chairman Li (the "Counter Guarantee")

On 30 October 2013, Chairman Li entered into the Counter Guarantee Agreement in favour of Tianrui Cement. Pursuant to the Counter Guarantee Agreement, Chairman Li has agreed to indemnify Tianrui Cement for any amount that Tianrui Cement or its subsidiaries would have paid in accordance with the terms and conditions of each Tianrui Cement Guarantee under the Framework Agreement, including the principal amount of the relevant loan, debenture or corporate bond, any interest, fees, damages and enforcement expenses for breach of the loan, debenture or corporate bond.

We are informed by the Company that the Counter Guarantee is unilaterally offered by Chairman Li in consideration of the Tianrui Cement's entering into of the Framework Agreement. Tianrui Cement, however, is not requested by the Tianrui Group to provide similar counter guarantee to Tianrui Group.

According to the information obtained by us, Chairman Li is the founder of the Group and is the non-executive Director and chairman of the Company. Since 2003, Chairman Li has been a deputy to the National People's Congress. Chairman Li was named the richest person of Henan province by *Xincaifu* (《新财富》), a nationwide finance magazine, in 2011 and 2012. As at the Latest Practicable Date, Chairman Li and his son together held 39.57% interest in the Company, which had a market capitalization of approximately HK\$2,118 million. As at 30 June 2013, Tianrui Group had an unaudited consolidated net assets value of approximately RMB21,242 million. We have not assessed the credit worthiness of Chairman Li, but having considered his reputation, interest, relationship with the Group, the 100% interest in Tianrui Group and market value of the Shares held by Chairman Li and his son, we consider that Chairman Li is able to provide the Counter Guarantee which offers extra protection to the Group and minimizes the risk that the Group would expose in the guarantee given under the Framework Agreement.

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Financial effects

The provision of guarantee amount by the Group would not have any direct and immediate impact on the Group's liquidity position but the Company will recognize an expense at fair value of the guarantee through amortization over the term of the guarantee when such guarantee is actually provided. The provision of guarantee by Tianrui Group and the Counter Guarantee by Chairman Li would be financial assets to the Group, due to their contingent nature, the Company would not recognize the financial assets in its financial statements.

For illustration purpose and on hypothesis basis only, based on the unaudited consolidated equity attributable to owners of the Company (the "NAV") as at 30 June 2013 of approximately RMB6,607 million, the maximum guarantee limits given by the Group of RMB2,300 million and RMB3,000 million in the first and second year would represent 34.8% and 45.4% of the NAV, respectively. Since such maximum limits may or may not be utilized finally and the Group has been profit making since its initial public offering in 2011, should the Group continue to make profit, the actual ratio of maximum guarantee limit to NAV would be lowered as NAV would be increased. Having considered the financial position of Tianrui Group and the Counter Guarantee offered by Chairman Li, until Tianrui Cement Guarantee is provided which leads to a fair value recognition and unless the Tianrui Cement Guarantee is realized, Chairman Li failed to honour his obligation under the Counter Guarantee and when actual economic benefits flow out from Tianrui Cement due to the discharge of its obligation, we concur with the Directors that the mutual guarantee is not likely to have substantial impact on the financial position of the Group. A special committee may consider the fair value of the relevant Tianrui Cement Guarantee and the impact the fair value may have on the Group's financial statements before it is approved. Details of the special committee are discussed in the paragraphs headed "Risk control measures of the Company for approving Tianrui Cement Guarantee" below.

Other considerations

1. More favourable terms offered to Tianrui Cement

Under the Framework Agreement, the limit of Tianrui Group Guarantee is at least twice in amount of the limit of Tianrui Cement Guarantee. The greater the Tianrui Group Guarantee gives better flexibility for Tianrui Cement to meet its business development plan, when it decides to obtain bank loan, debenture or issue corporate bond.

Tianrui Cement Guarantee and Tianrui Group Guarantee will be separate and independent contracts and the terms of which shall comply with the Framework Agreement. Under the Framework Agreement, Tianrui Group shall provide the Tianrui Group Guarantee and Tianrui Cement shall provide the Tianrui Cement Guarantee when the relevant guarantee is required. The Framework Agreement did not stipulate when the Tianrui Group Guarantee or the Tianrui Cement Guarantee shall be provided or whether any of them shall be provided at all. There may be occasion that the Framework Agreement allows the Tianrui Cement Guarantee is provided but not the Tianrui Group Guarantee, or vice versa, during the whole Term. Given (i) both Tianrui Group and Tianrui Cement are treated similarly under the Framework Agreement (the Group is given the advantage that its special committee may reject the approval of Tianrui Cement Guarantee on the basis discussed below); (ii)

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the Tianrui Group Guarantee limit is larger; (iii) the Group has well planned to utilize the Tianrui Group Guarantee; and (iv) Tianrui Cement is further protected by the Counter Guarantee, we are of the view that the terms of the Framework Agreement 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.

It is only offered by Tianrui Group to Tianrui Cement that Tianrui Cement will have recourse against Tianrui Group for Tianrui Cement's potential losses. In the event that the relevant loan is to be borrowed by a subsidiary of Tianrui Group, Tianrui Group shall provide the primary guarantee. Furthermore, Tianrui Group will agree to indemnify Tianrui Cement for any amount it would have paid in such situation, including the principal amount of the relevant loan, any interest, fees, damages and enforcement expenses for breach of the loan.

2. Tianrui Cement's operation in an industry with redundant production capacity

On 10 May 2013, the National Development & Reform Commission and the Ministry of Industry and Information Technology jointly published "Notice on Curbing the Blind Expansion of Serious Overcapacity Industries" (《關於堅決遏制產能嚴重過剩行業盲目擴張的通知》), which stated that cement industry is one of the certain industries with redundant production capacity and will be subject to tightened requirements of new project approval. CBRC issued guidelines to alert major banks to pay attention to enterprises which operate in those abovementioned industries. As a result, the PRC banks have implemented more stringent credit extension and security requirements. In order to utilize the existing bank facilities or obtain new loans, it is therefore important for the Group to secure a reliable source for the provision of such guarantees on terms favourable to the Group.

According to the information provided by the Company, in the first half of 2013, the Group utilized 84% and 70% of its clinker and cement production capacity, respectively. As discussed above, the Company is encouraged to carry out industry-specific mergers and consolidation in central China in order to eliminate non-competitive production lines of clinker and cement. The Company is of the view that, although the production capacity has not been fully utilized, the acquisition will respond to national policy to eliminate redundant capacity and increase the Group's market share.

(4) Risk control measures of the Company for approving Tianrui Cement Guarantee

In order to safeguard Shareholders' interest, it is a term of the Framework Agreement that Tianrui Cement has the right to fully understand the borrower's business obligations and financial position of Tianrui Group and the guarantee limits each time before approving the guarantee. It would not be a breach of the Framework Agreement if after a review of the financial position of Tianrui Group, Tianrui Cement considers it inappropriate to approve such guarantee. To facilitate the understanding of its financial position, Tianrui Group undertakes to Tianrui Cement that it will timely provide its consolidated financial statements and other reasonable information as requested to the Company. The Company will also establish a special committee to independently consider all necessary information and the risk arising therefrom for the approval of granting a guarantee in favour of Tianrui Group. We have obtained and reviewed the terms of reference of the special committee. According to the terms of reference, the special committee shall during the Term review and approve each Tianrui Cement Guarantee under the Framework Agreement. A number of factors in relation to Tianrui Group, including the financial position, the borrower's industry, etc. will be considered by the special

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committee. It will also (i) monitor the implementation of each individual guarantee provided by Tianrui Cement or its subsidiaries under the Framework Agreement; (ii) consider the suitability of the guaranteed company; (iii) periodically review the management accounts and relevant financial information, and inspect the assets, books and records of Tianrui Group on a monthly basis; and (iv) periodically review and examine any material adverse changes on the business, property, assets or operations of Tianrui Group, or its ability to perform any of its obligations under the Framework Agreement. The special committee may reject the grant of the relevant Tianrui Cement Guarantee, whilst the Framework Agreement shall continue to be in effect in the remaining Term.

In view of the above, we consider that the terms of reference, if implemented effectively by the Company and the special committee, are sufficient to safeguard Shareholders' interest in the provision of Tianrui Cement Guarantee.

Accordingly, we concur with the view of the Directors that the terms of the Framework Agreement are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

RECOMMENDATION

Having considered the above factors and reasons, we are of the opinion that (i) the terms of the Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the provision of the mutual guarantee is in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend that the Independent Board Committee advise the Independent Shareholders to vote in favour of the relevant resolution to be proposed at the EGM to approve the Framework Agreement and the transactions contemplated thereunder and we recommend that the Independent Shareholders vote in favour of such resolution in this regard at the EGM.

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

1. THREE-YEAR FINANCIAL INFORMATION OF THE GROUP

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

The audited consolidated financial statements of the Company for the years ended 31 December 2010, 2011 and 2012 together with the relevant notes to the financial statements of the Company can be found on pages I-1 to I-78 of the prospectus of the Company for the year ended 31 December 2010, pages 36 to 43 of the annual report of the Company for the year ended 31 December 2011 and pages 37 to 43 of the annual report of the Company for the year ended 31 December 2012. Please see below the hyperlinks to the said prospectus and annual reports:

<http://www.hkexnews.hk/listedco/listconews/SEHK/2011/1214/LTN20111214028.pdf>
<http://www.hkexnews.hk/listedco/listconews/SEHK/2012/0418/LTN20120418040.pdf>
<http://www.hkexnews.hk/listedco/listconews/SEHK/2013/0325/LTN20130325023.pdf>

2. STATEMENT OF INDEBTEDNESS

As at the close of business of 30 September 2013, being the latest practicable date for the purpose of this statement of indebtedness prior to the printing of this Circular, the Group has outstanding borrowings and indebtedness of approximately RMB10,192.5 million comprising secured bank loans of approximately RMB1,842.0 million, unsecured bank loans of approximately RMB2,950.5 million, issued and outstanding short-term notes of approximately RMB1,600.0 million, medium-term notes of approximately RMB1,800.0 million and long-term company debt of approximately RMB2,009.0 million.

Other than as disclosed above, and apart from intra-group liabilities and normal accounts payable in the ordinary course of business of the Group, the Group did not have any outstanding loan capital issued or agreed to be issued, bank overdrafts, bank loans or other similar indebtedness, liabilities under acceptances (other than normal trade bills), acceptance credits, mortgage, charges, guarantees or other material contingent liabilities as at the close of business on 30 September 2013.

3. WORKING CAPITAL

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

4. FINANCIAL AND TRADING PROSPECTS

It is expected that the Chinese government will adopt consistent policies in order to achieve steady economic growth, and infrastructure investment and property construction will remain the major driving force for the economic recovery in 2013. In particular, urbanization will continue to promote the long term development of China's economy, leading to the sustainable development of the cement industry. For Henan market, cement demand from rural sector is also expected to become a driving force for the regional cement demand. And it is expected that the cement demand in Liaoning will also accelerate for 2013. The Group remains positive about the trading prospects for 2013 taken as a whole.

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

Substantial Shareholders' Interests in Securities

As at the 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 of Shareholder	Capacity/Nature of Interests	Short/Long Position	Total number of shares	Approximate percentage of shareholding (%)
Yu Kuo Company Limited ("Yu Kuo")	Beneficial owner (1)	Long Position	950,000,000	39.57
Holy Eagle Company Limited ("Holy Eagle")	Interests in controlled corporation (1)	Long Position	950,000,000	39.57
Yu Qi Company Limited ("Yu Qi")	Interests in controlled corporation (1)	Long Position	950,000,000	39.57
Mr. Li Liufa	Interests in controlled corporation (1)	Long Position	950,000,000	39.57
Mr. Li Xuanyu	Interests in controlled corporation (1)	Long Position	950,000,000	39.57
Wan Qi Company Limited ("Wan Qi")	Beneficial owner (2)	Long Position	689,400,000	28.71
		Short position	689,400,000	28.71
Mr. Tang Ming Chien	Interests in controlled corporation (2)	Long Position	689,400,000	28.71
		Short position	689,400,000	28.71
ABC International Holdings Limited	Interests in controlled corporation	Long Position	658,787,755	27.44
ABCI Investment Management Limited	Interests in controlled corporation	Long Position	658,787,755	27.44
Agricultural Bank of China Limited	Interests in controlled corporation	Long Position	658,787,755	27.44

Name of Shareholder	Capacity/Nature of Interests	Short/Long Position	Total number of shares	Approximate percentage of shareholding (%)
Central Huijin Investment Ltd.	Interests in controlled corporation	Long Position	658,787,755	27.44
Harbour Kirin Investments Limited	Interests in controlled corporation	Long Position	658,787,755	27.44
Ministry of Finance of the People's Republic of China	Interests in controlled corporation	Long Position	658,787,755	27.44
JPMorgan PCA Holdings (Mauritius) I Limited	Beneficial owner (3)	Long Position	200,600,000	8.36
JPMorgan Private Capital Asia Fund I, L.P.	Interests in controlled corporation (3)	Long Position	200,600,000	8.36
JPMorgan Private Capital Asia General Partner, L.P.	Interests in controlled corporation (3)	Short position	33,433,340	1.39
JPMorgan Private Capital Asia General Partner, L.P.	Interests in controlled corporation (3)	Long Position	200,600,000	8.36
JPMorgan Private Capital Asia GP Limited	Interests in controlled corporation (3)	Short position	33,433,340	1.39
JPMorgan Private Capital Asia Corp	Interests in controlled corporation (3)	Long Position	200,600,000	8.36
JPMorgan Private Capital Asia Corp	Interests in controlled corporation (3)	Short position	33,433,340	1.39
JPMorgan Chase & Co.	Interests in controlled corporation (3)	Long Position	200,600,000	8.36
JPMorgan Chase & Co.	Interests in controlled corporation (3)	Short position	33,433,340	1.39
Yue Xiu Investment Fund Series Segregated Portfolio Company (越秀基金獨立投資組合公司)	Investment manager	Long Position	160,000,000	6.66

Notes:

- (1). The entire issued share capital of Yu Kuo is legally and beneficially owned by Holy Eagle and Yu Qi. Chairman Li is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Chairman Li through Holy Eagle (the wholly owned company of Chairman Li). Mr. Li Xuanyu is deemed to be interested in the Shares held by Yu Kuo by virtue of Yu Kuo being controlled by Mr. Li Xuanyu through Yu Qi (the wholly-owned company of Mr. Li Xuanyu). Chairman Li is a director of both Yu Kuo and Holy Eagle.
- (2). The entire issued share capital of Wan Qi is legally and beneficially owned by Mr. Tang Ming Chien. Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien. Mr. Tang Ming Chien is a director of Wan Qi.
- (3). Each of JPMorgan Private Capital Asia Fund I, L.P. (as the controlling shareholder of JPMorgan PCA), JPMorgan Private Capital Asia General Partner, L.P. (as the general partner of JPMorgan Private Capital Asia Fund I, L.P.), JPMorgan Private Capital Asia GP Limited (as the general partner of JPMorgan Private Capital Asia General Partner, L.P.), JPMorgan Private Capital Asia Corp (as the sole shareholder of JPMorgan Private Capital Asia GP Limited) and JPMorgan Chase & Co. (as the holding company of JPMorgan Private Capital Asia Corp.) is deemed to be interested in 200,600,000 Shares held by JPMorgan PCA pursuant to Section(s) 316(2) and/or 316(3) under Part XV of the SFO.

Directors' and Chief Executives' Interests and Short Positions in the Shares, Underlying Shares and Debentures

As at the Latest Practicable Date, the interests and short positions of the Directors and chief executives in the shares, underlying shares or debentures of the Company or any of the 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 shareholder (%)
Chairman Li (1)	Interests in controlled corporation/Long position	950,000,000	39.57
Mr. Tang Ming Chien (2)	Interests in controlled corporation/Long position	689,400,000	28.71
	Interests in controlled corporation/Short position	689,400,000	28.71

Notes:

- (1). Yu Kuo is the legal and beneficial holder of these shares. Chairman Li is deemed to be interested in the shares held by Yu Kuo by virtue of Yu Kuo being controlled by Chairman Li through Holy Eagle (the wholly-owned company of Chairman Li).
- (2). Wan Qi is the legal and beneficial holder of these shares. Mr. Tang Ming Chien is deemed to be interested in the Shares held by Wan Qi by virtue of Wan Qi being controlled by Mr. Tang Ming Chien.

Save as disclosed above, as at the 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.

3. COMPETING INTERESTS

As at the Latest Practicable Date, the Directors were not aware that any of the Directors and their respective associates has interest in any business which competes or is likely to compete, either directly or indirectly, with the businesses of the Group.

4. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirm that there has not been any material adverse change in the financial or trading position of the Company since 31 December 2012, being the date of the latest published audited financial statements of the Company.

5. LITIGATION

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

6. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors has entered into any service contracts 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.

7. 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 2012 (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 the Framework Agreement disclosed in this circular and the Clinker Supply Framework Agreement dated 26 September 2012 with respect to the purchase of clinker by the Group from a connected person of the Company as disclosed in the announcement dated 26 September 2012.

8. QUALIFICATION AND CONSENT OF EXPERT

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

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

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

As at the Latest Practicable Date, TC Capital 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.

9. 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 2012 (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.

10. 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:

- (1) an amendment agreement to framework agreement dated 28 November 2011 among the Company, the Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement, Tianrui (HK), Titan Investments (Cayman), JPMorgan PCA and Wan Qi, pursuant to which the parties agreed to amend certain provisions of the framework agreement;
- (2) a trademark licence agreement dated 28 November 2011 between Yu Kuo and the Company, pursuant to which Yu Kuo granted to the Company a non-exclusive license to use certain trademarks in Hong Kong or elsewhere, details of which are set out in the section headed “Connected Transactions” in the prospectus of the Company dated 14 December 2011;
- (3) the deed of non-competition undertaking dated 9 December 2011 among the Controlling Shareholders and the Company, details of which are disclosed in the section headed “Relationship with the Li Family” in the prospectus of the Company dated 14 December 2011;
- (4) a deed of indemnity dated 9 December 2011 between the Controlling Shareholders and the Company, pursuant to which the Controlling Shareholders agreed to give certain indemnities in favour of the Company for itself and as trustee for its subsidiaries;
- (5) an amendment agreement to framework agreement dated 12 December 2011 among the Company, the Controlling Shareholders, Tianrui Group, Tianrui Cement, Zhong Yuan Cement Company Limited, China Tianrui (Hong Kong) Company Limited, Titan Investments Limited, JPMorgan PCA and Wan Qi, pursuant to which the parties agreed to amend certain provisions of the framework agreement;

- (6) a lock-up agreement dated 12 December 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and JPMorgan PCA Holdings (Mauritius) I Limited, pursuant to which JPMorgan PCA Holdings (Mauritius) I Limited agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the listing date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the listing date;
- (7) a lock-up agreement dated 12 December 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and Titan Investments Limited, pursuant to which Titan Investments Limited has agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the listing date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the listing date;
- (8) a lock-up agreement dated 12 December 2011 among the Company, Deutsche Bank AG, Hong Kong Branch and Wan Qi, pursuant to which Wan Qi agreed, subject to the terms and conditions thereof, not to, at any time after the date of the agreement up to and including the date falling 180 days after the listing date, directly or indirectly dispose of any of its interests in the Company acquired or beneficially owned by it prior to the listing date;
- (9) the supplemental shareholders agreement dated 12 December 2011 among the Company, the Controlling Shareholders, JPMorgan PCA Holdings (Mauritius) I Limited, Wan Qi and Titan Investments Limited, pursuant to which the parties agreed to amend certain provisions of the shareholders agreement;
- (10) an equity transfer agreement dated 6 January 2013 among Tianrui Cement, Yang Qinggeng and Lv Meihua, pursuant to which Tianrui Cement shall acquire 70% equity interest in Liaoyang City Chengxing Cement Manufacture Co., Ltd. (遼陽市誠興水泥製造有限公司) from Yang Qinggeng and Lv Meihua for a consideration of RMB80.45 million;
- (11) a share transfer agreement dated 30 January 2013 among Tianrui Cement, Mr. Yu Hongyang and Ms. Sun Lina, pursuant to which Tianrui Cement will acquire 100% of the equity interest of Dalian Golden-coasts Construction Material Group Company Limited (大連金海岸建材集團有限公司) from Mr. Yu Hongyang and Ms. Sun Lina in 2013 for a consideration of RMB45,000,000; and
- (12) an equity transfer agreement dated 25 February 2013 among Tianrui Cement, Zhou Fei and Zhou Zhen, pursuant to which Tianrui Cement shall acquire 100% equity interest in Xincui Country Xin Hui Cement and Construction Materials Co., Ltd. (新蔡縣新輝水泥建材有限公司) from Zhou Fei and Zhou Zhen for a consideration of RMB52.5 million.

11. MISCELLANEOUS

- (a) The joint company secretaries of the Company are Mr. Yu Chunliang, Ms. Kwong Yin Ping Yvonne and Mr. Li Jiangming. Ms. Kwong Yin Ping Yvonne is a Fellow of the Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.
- (b) The registered office of the Company is situated at Cricket Square Hutchins Drive PO Box 2681 Grand Cayman KY1-1111, Cayman Islands. The headquarters and principal place of business of the Company is at No. 63 Guangcheng Road East, Ruzhou City, Henan Province, PRC.
- (c) The place of business in Hong Kong registered under Part XI of the Companies Ordinance is at Level 3, Three Pacific Place, 1 Queen's Road East, Hong Kong.
- (d) The English text of this circular shall prevail over the Chinese text in case of any inconsistency.

12. DOCUMENTS FOR INSPECTION

Copies of the following documents will be available for inspection at the office of Morrison and Foerster at 33th Floor, Edinburgh Tower, The Landmark, 15 Queen's Road Central, Hong Kong during normal business hours on any business day for a period of 10 business days from the date of this circular:

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

NOTICE OF EXTRAORDINARY GENERAL MEETING



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

(Incorporated in the Cayman Islands with limited liability)

(Stock Code : 1252)

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Tianrui Group Cement Company Limited (the “**Company**”) will be held at Level 3, Three Pacific Place, 1 Queen’s Road East, Hong Kong on 27 November 2013 at 10:00 a.m. for the purpose of considering and, if thought fit, passing the following resolution:

ORDINARY RESOLUTION

“THAT

- (i) the form and substance of a Framework Agreement 30 October 2013 (a copy of which is tabled at the EGM and signed by the chairman of the meeting for identification purpose) entered into between Tianrui Group Joint Stock Limited Company (天瑞集團股份有限公司) (“**Tianrui Group**”) and Tianrui Group Cement Company Limited (天瑞集團水泥有限公司) (“**Tianrui Cement**”) (the “**Framework Agreement**”) pursuant to which the parties thereto have agreed to grant guarantees to each other and the transactions contemplated under it be and are hereby approved, confirmed and ratified; and
- (ii) the Directors be and are hereby authorised to sign, execute, perfect and deliver all such documents, and do all such actions which are in their opinion necessary, appropriate, desirable or expedient for the implementation and completion of the Framework Agreement and the Counter Guarantee Agreement and the transactions contemplated thereunder or incidental to the Framework Agreement and all other matters incidental thereto or in connection therewith and to agree to the variation and waiver of any of the matters relating thereto that are, in the opinion of the Directors, appropriate, desirable or expedient in the context of the guarantee and are in the best interests of the Company.”

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

Hong Kong, 8 November 2013

NOTICE OF EXTRAORDINARY GENERAL MEETING

Notes:

1. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or, if he is holder of more than one share, more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
2. In order 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 must be deposited at the place of business in Hong Kong of the Company, at Level 3, Three Pacific Place, 1 Queen's Road East, Hong Kong not less than 24 hours before the time appointed for holding the meeting (or any adjournment thereof).
3. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under its common seal or under the hand of an officer or attorney or other person duly authorised.
4. Delivery of the form of proxy will not preclude a member from attending and voting in person at the meeting convened and in such event, the form of proxy shall be deemed to be revoked.