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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)

**DISCLOSEABLE AND CONNECTED TRANSACTION IN RELATION TO
ACQUISITION OF 100% INTEREST IN
HENAN YONGAN CEMENT COMPANY LIMITED
AND 55% INTEREST IN
TIANRUI XINDENG ZHENGZHOU CEMENT COMPANY LIMITED
ISSUE OF CONSIDERATION SHARES UNDER SPECIFIC MANDATE
AND
APPLICATION FOR WHITEWASH WAIVER**

Financial adviser to the Company



中州國際融資有限公司

Central China International Capital Limited

THE ACQUISITION

On 25 November 2016 (after trading hours), the Company and Tianrui Group Company entered into the Acquisition Agreement, pursuant to which Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares at a total consideration of RMB919,000,000. The Sale Shares represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement. The Consideration will be settled by the allotment and issue of the Consideration Shares by the Company to Yu Kuo, an indirect wholly-owned subsidiary of Tianrui Group Company, credited as fully paid, at the Issue Price upon Completion. The Consideration Shares will be issued under the Specific Mandate to be approved at the EGM.

LISTING RULES IMPLICATION

As one or more of the applicable percentage ratios of the Listing Rules in respect of the Acquisition exceeds 5% and all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company which, in turn, is owned as to 70% by Chairman Li and 30% by Mrs. Li. Yu Kuo directly holds approximately 39.57% of the entire issued share capital of the Company. Chairman Li, Mrs. Li, Tianrui Group Company and Yu Kuo are connected persons of the Company under the Listing Rules. Accordingly the entering into of the Acquisition Agreement shall also constitute a connected transaction of the Company under the Listing Rules and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATION

Under the Takeovers Code, Wan Qi and its sole shareholder Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo as Wan Qi is holding approximately 28.71% (which is more than 20%) of the entire issued share capital of the Company. The aggregate number of Shares held by Yu Kuo and Wan Qi is 1,639,400,000, representing approximately 68.28% of the entire issued share capital of the Company.

Immediately after Completion and assuming that there are no other changes to the issued share capital of the Company from the date of this announcement to Completion, Yu Kuo and Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) will hold approximately 74.08% of the Company's then enlarged issued share capital. Despite the fact that Yu Kuo and Wan Qi hold in aggregate more than 50% of the entire issued share capital of the Company, as the shareholding of Yu Kuo itself will increase from 39.57% to 50.62% as a result of the Acquisition assuming that there are no other changes to the issued share capital of the Company from the date of this announcement to Completion, pursuant to Rule 26.1 of the Takeovers Code, Yu Kuo will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by Yu Kuo and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. An application will be made to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

If the Whitewash Waiver is approved by the Independent Shareholders at the EGM, upon the issue of the Consideration Shares to Yu Kuo (and assuming there is no other change to the issued share capital of the Company), the interest of Yu Kuo in the Company will exceed 50%. Yu Kuo may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

THE LISTING RULES IBC AND THE TAKEOVERS CODE IBC

The Listing Rules IBC, comprising all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the Specific Mandate, has been established in compliance with Rule 14A.41 of the Listing Rules. The Takeovers Code IBC, comprising the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and the Specific Mandate, has been established in compliance with Rule 2.8 of the Takeovers Code. Chairman Li, a non-executive Director, indirectly owns 70% shareholding interest in Yu Kuo and is therefore considered to have a material interest in the Acquisition, the Whitewash Waiver and the Specific Mandate. Chairman Li is not offered membership of the Takeovers Code IBC.

TC Capital International Limited has been appointed as the Independent Financial Adviser with the IBC's approval to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition and the Specific Mandate; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver and the Specific Mandate.

THE CIRCULAR

The Circular containing, among others: (1) details of the Acquisition, the Whitewash Waiver and the Specific Mandate; (2) a letter of recommendation from the Listing Rules IBC to the Independent Shareholders on the Acquisition and Specific Mandate; (3) a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders on the Acquisition, the Whitewash Waiver and Specific Mandate; (4) a letter of advice by the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and Independent Shareholders on the Acquisition, the Whitewash Waiver and the Specific Mandate; and (5) a notice convening the EGM, will be published in due course. The Circular is currently expected to be despatched to the Shareholders on or before 16 December 2016. If additional time is required for preparation of the relevant information for inclusion in the Circular, the Company will apply to the Executive for a waiver from compliance with Rule 8.2 of the Takeovers Code and/or to the Stock Exchange for a waiver from compliance with the applicable requirements under the Listing Rules. In this connection, further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors should note that the Acquisition is subject to the fulfilment of a number of conditions, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

THE ACQUISITION

Acquisition Agreement

Date: 25 November 2016 (after trading hours)

Parties: (a) the Company (as purchaser); and
(b) Tianrui Group Company (as vendor)

ASSETS TO BE ACQUIRED

Tianrui Group Company conditionally agreed to sell and the Company conditionally agreed to purchase the Sale Shares which represent 100% equity interest in Yongan Cement and 55% equity interest in Xindeng Cement.

CONDITIONS

The Acquisition is conditional upon, among others:

- (a) the Company being reasonably satisfied with the results of such enquiries, investigations and due diligence reviews of the business affairs, operations and financial position of Yongan Cement and Xindeng Cement by the Company or any of its officers, employees, agents, professional advisers or other agents as the Company in its discretion deems necessary, desirable or appropriate to undertake;
- (b) the Independent Shareholders having approved at the EGM (i) the entering into of the Acquisition Agreement; (ii) the allotment and issue of the Consideration Shares; (iii) all other transactions contemplated under the Acquisition Agreement; and (iv) the Whitewash Waiver, in accordance and in compliance with the Takeovers Code and the Listing Rules;
- (c) the Listing Committee of the Stock Exchange having granted the listing of, and permission to deal in, the Consideration Shares on the Stock Exchange, and such approval shall not be revoked prior to Completion;
- (d) the warranties under the Acquisition Agreement remaining true and accurate in all respects and not misleading in any respect as of the date of Completion by reference to the facts and circumstances subsisting thereat;
- (e) no notice, order, judgment, action or proceeding of any court, arbitrator, authority, statutory or regulatory body having been served, issued or made which restrains, prohibits or makes unlawful any transaction contemplated by the Acquisition Agreement or which is reasonably likely to materially and adversely affect the right of the Company to own the legal and beneficial title to the Sale Shares, free from encumbrances, following Completion;
- (f) save for the approvals and consents referred to in (b) and (c) above, all necessary approvals and consents required to be obtained by either of the parties to the Acquisition Agreement from any authority or other third party in respect of the Acquisition Agreement and/or the transactions contemplated thereunder having been obtained unconditionally and irrevocably, or where such approval or consent is given subject to conditions, on such conditions as are acceptable to the Company;

- (g) Tianrui Group Company having complied with all its obligations under the Acquisition Agreement which are required to be complied with before Completion;
- (h) the Whitewash Waiver having been granted;
- (i) the Company having received a legal opinion issued by a PRC legal adviser appointed by the Company in such form and substance to the satisfaction of the Company; and
- (j) Tianrui Group Company having become and remained as the registered owner of the Sale Shares which shall be free from any encumbrances prior to Completion.

If any of the conditions above is not satisfied or waived on or before the Long-Stop Date, the Acquisition Agreement shall lapse automatically, without prejudice to the rights and liabilities of any party accrued prior to such lapse. As at the date of this announcement, none of the conditions set out above has been satisfied or waived. In respect of the condition set out in (f) above, there are no other required approvals and consents identified as at the date of this announcement save for the approvals and consents referred to in the conditions set out in (b) and (c) above.

Notwithstanding anything to the contrary, the conditions above (other than the conditions set out in (b), (c) and (h) above) may be waived by the Company.

CONSIDERATION

The Consideration for the Sale Shares shall be RMB919,000,000. The Consideration for the Acquisition will be settled by allotment and issue of the Consideration Shares to Yu Kuo (an indirect wholly-owned subsidiary of Tianrui Group Company), credited as fully paid, at the Issue Price upon Completion. The Consideration was arrived after arm's length negotiations between the parties to the Acquisition Agreement and by reference to a number of factors, including, (1) the net asset value of Yongan Cement as being RMB587,686,000 as of 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; (2) the net asset value of the Xindeng Cement as being RMB498,453,000 as of 30 June 2016 as shown in the audited financial statements prepared in accordance with IFRS; (3) the total consideration of RMB1,035,000,000 and RMB390,605,000 paid by Tianrui Group Company to acquire the First Sale Shares and the Second Sale Shares respectively in the first instance; and (4) the valuation of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement set out in the Valuation Report. The Company has appointed Roma Appraisals Limited (the "**Valuer**"), an independent valuer, to provide the valuation of the Target Companies. According to the Valuer, the valuation of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement are RMB866,000,000 and RMB404,000,000, respectively as of 30 September 2016. The valuation in the Valuation Report, the full text of which is attached as Appendix I to this announcement, was determined based on a market-based approach, which considers the historical price-to-book ratios (P/B) of comparable cement manufacturers with principal business in the PRC.

The issuance of the Consideration Shares instead of cash as the consideration for the Acquisition does not require cash outflow from the Company and would not strain the Company's working capital which allows sufficient and healthy cashflow for financing the Company's other projects.

The Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose view will be set out in the Circular after considering the advice of the Independent Financial Advisor and (ii) Chairman Li and Mr. Li Jiangming, an executive Director who is the younger brother of Mrs. Li, both of whom have abstained from voting) is of the view that the consideration for the Acquisition and other terms of the Acquisition Agreement are fair and reasonable, and were determined after arm's length negotiation between the parties and would be in the interest of the Company and the Shareholders as a whole.

ISSUE PRICE

The Issue Price shall represent the average closing price for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement. Based on the closing prices for the 10 consecutive trading days immediately preceding the date of the Acquisition Agreement, the Issue Price shall be HK\$1.92. An exchange rate of HK\$1 for RMB0.89070 shall be adopted for calculating the number of the Consideration Shares to be issued.

A total of 537,381,647 Shares will be allotted and issued by the Company to satisfy the Consideration, which represent approximately 22.38% of the issued share capital of the Company as at the date of this announcement and approximately 18.29% of the issued share capital of the Company as enlarged by the allotment and issue of the Consideration Shares.

The Issue Price represents:

- (i) the closing price of HK\$1.92 per Share as quoted on the Stock Exchange on the Last Trading Day;
- (ii) the average closing price of HK\$1.92 per Share for the last 5 consecutive trading days up to and including the Last Trading Day; and
- (iii) the average closing price per Share of HK\$1.92 for the last 10 consecutive trading days up to and including the Last Trading Day.

The Issue Price was arrived at after negotiations between the Company and Tianrui Group Company with reference to, among others, the liquidity and recent trading performance of the Shares.

RANKING OF THE CONSIDERATION SHARES

The Consideration Shares, when allotted and issued, will rank equally in all respects with the Shares in issue on the date of allotment and issue of the Consideration Shares.

MANDATE TO ISSUE THE CONSIDERATION SHARES

The Consideration Shares will be allotted and issued under the Specific Mandate and is subject to the approval of the Independent Shareholders at the EGM.

APPLICATION FOR LISTING

Application will be made by the Company to the Listing Committee of the Stock Exchange for the listing of, and permission to deal in, the Consideration Shares.

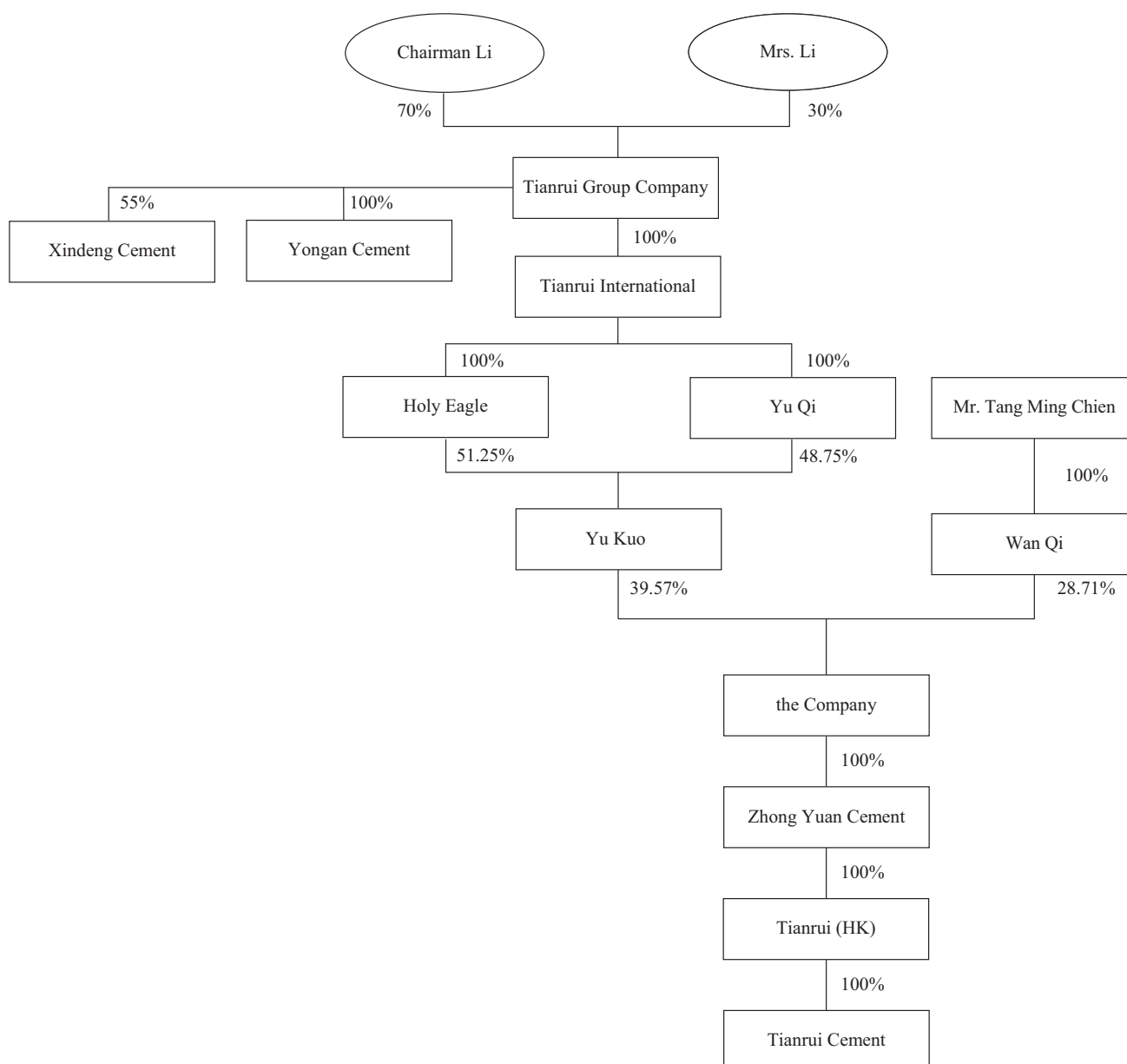
COMPLETION

Subject to the fulfilment (or waiver as the case may be) of the conditions of the Acquisition on or before the Long Stop Date, Completion shall take place on the fifth Business Day after the satisfaction of the conditions set out in paragraphs (b), (c) and (h) above under the heading “Conditions” or such other date as may be agreed between the Company and Tianrui Group Company in writing in accordance with the Acquisition Agreement.

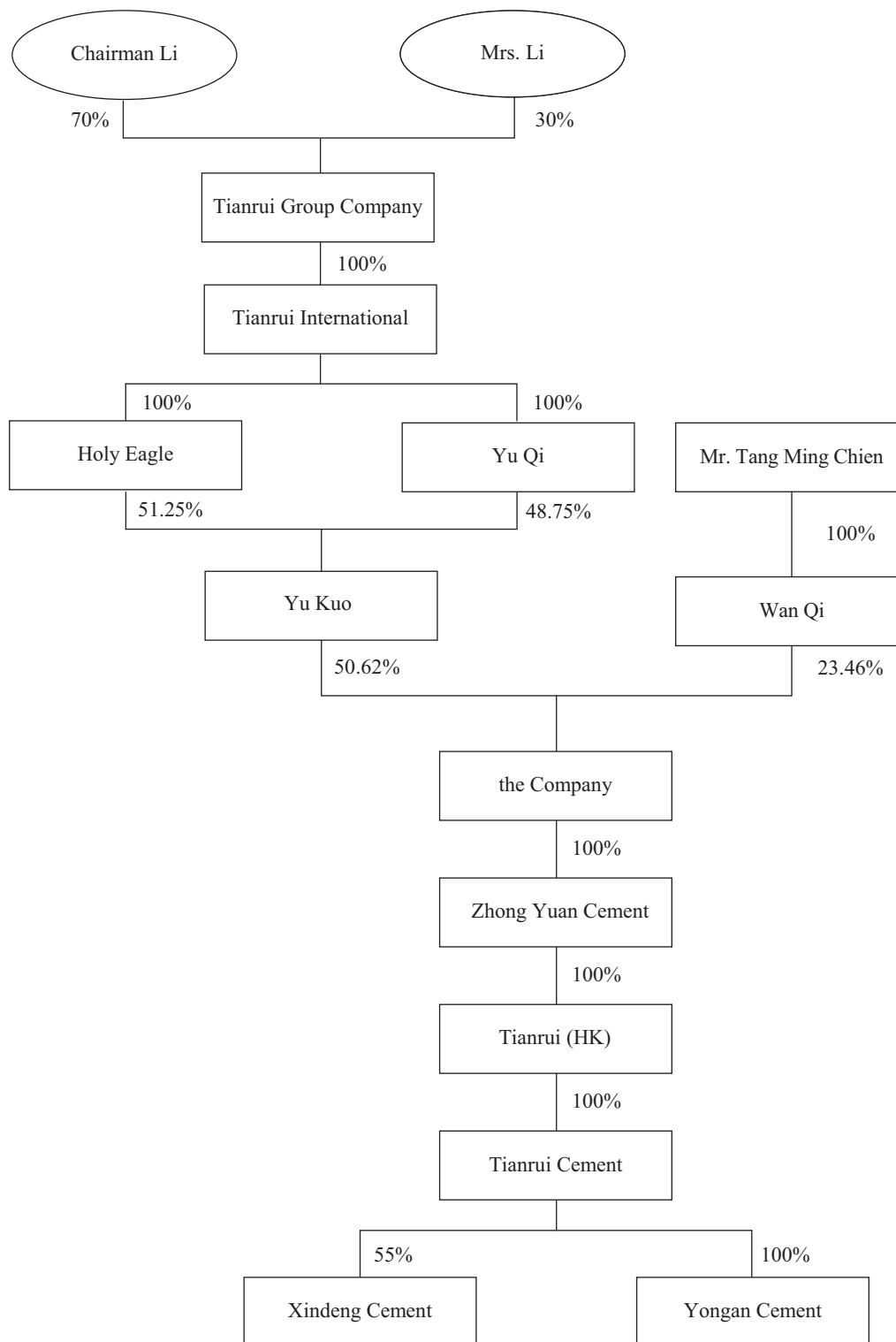
CORPORATE STRUCTURE

The corporate structure immediately before and after Completion is as follows:

Immediately before Completion



Immediately after Completion (assuming that there are no other changes to the issued share capital of the Company from the date of this announcement to Completion)



INFORMATION OF THE TARGET COMPANIES

Yongan Cement

Yongan Cement was established in the PRC in May 2007 as a limited liability company with a registered capital of RMB572,600,000 as at the date of this announcement. Yongan Cement is headquartered in Gongyi City, Henan Province, the PRC and is principally engaged in the manufacture and sale of clinker and cement in Gongyi City and Luoyang City of Henan Province. Yongan Cement owns a piece of land of approximately 128,321 square meters in Zhi Tian town, Gong Yi City, Henan Province, upon which its principal factories and manufacture base are situated.

Yongan Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone site is in production stage and is situated in Gong Yi City, Henan Province with an area of approximately 2.5695 km² and its mining licence has a validity period from December 2013 to December 2043. All the limestone of the said limestone site is expected to continue its current utilization for the manufacture activities of Yongan Cement after Completion.

Yongan Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in May 2017. The manufacture of 32.5 composite portland cement (32.5級複合硅酸鹽水泥) by Yongan Cement has been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in December 2014.

Tianrui Group Company has entered into a share transfer agreement dated 9 January 2015 with Henan Hongqi Coal Company Limited (河南紅旗煤業股份有限公司) (“**Henan Hongqi**”) and Gongyi Pingan Transport Company Limited (鞏義市平安運輸有限公司) (“**Gongyi Pingan**”), pursuant to which Tianrui Group Company agreed to purchase 90% and 10% equity interest in Yongan Cement from Henan Hongqi and Gongyi Pingan for a consideration of RMB940,000,000 and RMB45,000,000 respectively, subject to a further undertaking to settle a bank loan of RMB50,000,000 owed by Yongan Cement. As such, the total cost payable by Tianrui Group Company with respect to the First Sale Shares was RMB1,035,000,000.

As at the date of this announcement, Tianrui Group Company is the registered owner of 100% equity interest in Yongan Cement. The Company will nominate Tianrui Cement to be the registered owner of the First Sale Shares. Following Completion, Yongan Cement will become an indirect wholly owned subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

Xindeng Cement

Xindeng Cement was established in the PRC in March 2008 as a limited liability company with a registered capital of RMB294,667,600 as at the date of this announcement. Xindeng Cement is headquartered in Dengfeng City, Henan Province, the PRC and is principally engaged in the manufacture and sale of clinker and cement in Dengfeng City and Zhengzhou City of Henan Province. Xindeng Cement owns a piece of land of approximately 201,059.9 square meters in Xuan Hua town, Dengfeng City, Henan Province, upon which its principal factories and manufacture base are situated.

Xindeng Cement also holds a mining licence with respect to limestone for cement manufacture (水泥用石灰岩). The limestone sites are in production stage and are situated in Xuan Hua Town and Xu Zhuang Town, Dengfeng City, Henan Province, of which the area of the site in Xuan Hua Town is approximately 10.6821 km² and its mining licence has a validity period from November 2015 to June 2037; whereas the area of the site in Xu Zhuang Town is approximately 4.6544 km² and its mining licence has a validity period from November 2015 to July 2038. All the limestone of the said limestone sites are expected to continue its utilization of the manufacture activities of Xindeng Cement after Completion.

Xindeng Cement has been awarded the National Certificate for the Manufacture of Industrial Products (全國工業產品生產許可證) by the PRC General Administration of Quality Supervision, Inspection and Quarantine (中華人民共和國國家質量監督檢驗檢疫總局) for a validity period expiring in January 2019. The manufacture of portland cement clinker (硅酸鹽水泥熟料), 32.5 composite portland cement (32.5 級複合硅酸鹽水泥) and 42.5 normal portland cement (42.5 級普通硅酸鹽水泥) by Xindeng Cement have been certified as Nationwide Encouraged Recycling Technology (國家鼓勵的資源綜合利用) by Henan Development and Reform Commission (河南省發展和改革委員會) in July 2013.

Tianrui Group Company has entered into a share transfer agreement dated 29 June 2015 and a capital increase agreement dated 22 December 2015 with Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司) (“**Xindeng Group**”), pursuant to which Tianrui Group Company purchased 49% equity interest in Xindeng Cement from Xindeng Group and increased its shareholding further by 6% through capital increment for a consideration of RMB307,160,000 and RMB83,445,000, respectively. As such, the total cost payable by Tianrui Group Company with respect to the Second Sale Shares was RMB390,605,000.

As at the date of this announcement, Tianrui Group Company is the registered owner of 55% equity interest in Xindeng Cement. The Company will nominate Tianrui Cement to be the registered owner of the Second Sale Shares. Following Completion, Xindeng Cement will become a subsidiary of the Company and its financials are expected to be consolidated into the accounts of the Company.

FINANCIAL INFORMATION OF THE TARGET COMPANIES

The audited financial information of Yongan Cement prepared in accordance with the IFRS is set out below.

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000	For the Six months ended 30 June 2016 RMB'000
Revenue	260,736	244,386	89,203
Net loss before tax	157,361	29,521	17,176
Net loss after tax	157,361	29,521	17,176

The audited total assets and the audited net assets of Yongan Cement as at 30 June 2016 are approximately RMB691,036,000 and RMB587,686,000 respectively.

The audited financial information of Xindeng Cement prepared in accordance with the IFRS is set out below.

	For the year ended 31 December 2014 RMB'000	For the year ended 31 December 2015 RMB'000	For the Six months ended 30 June 2016 RMB'000
Revenue	351,735	269,147	161,672
Net profit before tax	30,482	29,736	19,247
Net profit after tax	22,622	21,530	14,380

The audited total assets and the audited net assets of Xindeng Cement as at 30 June 2016 are approximately RMB575,929,000 and RMB498,453,000, respectively.

Further details of the financial information of the Target Companies will be presented in the Circular.

INFORMATION ON THE PARTIES TO THE ACQUISITION

Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Chairman Li and 30% by Mrs. Li, who are interested in different businesses such as foundry business, aluminum business, tourism and hotel business; and hold indirect equity interest in Ruiping Shilong which is involved in the production, sale and distribution of clinker.

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

NON-COMPETITION DEED AND REASON FOR THE ACQUISITION

References are made to the announcement of the Company dated 9 September 2015 regarding, among others, the proposed acquisition of 100% equity interest in Yongan Cement and the announcement of the Company dated 24 March 2016 regarding, among others, its subsequent termination due to the changes of market circumstances (the “**Terminated Acquisition**”).

In the first quarter of 2016, the market prices of the cement market in Henan region was going downtrend, and there was a possibility of recording further decrease. The Directors confirm that it was against the background of this uncertain market that, the Board decided to terminate the Terminated Acquisition. Since July 2016, the sale prices of cement and clinker in the Henan region have improved from the market low and the sale prices per tonne have increased RMB50 to RMB100 on average following the reform policies progressed by the PRC government.

In addition to the forementioned improvement of market conditions, given the “Information of the Target Companies” set out above and the strategic significance of the Acquisition for reasons set out below, the Board (excluding (i) the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors whose view will be set out in the Circular after considering the advice of the Independent Financial Advisor and (ii) Chairman Li and Mr. Li Jiangming, an executive Director who is the younger brother of Mrs. Li, both of whom have abstained from voting) is of the view that the

Acquisition at this stage would help to expand market coverage of the Group to regional markets such as Luoyang City, Gongyi City and Dengfeng City, and would help expand the defense line for its core market in Zhengzhou City, and would further create synergy with the existing markets in Henan Province.

Further, the Consideration of the Acquisition which is lower than the total consideration of RMB1,425,605,000 paid by Tianrui Group Company for the acquisition of the First Sale Shares and the Second Sale Shares in the first instance, is in compliance with the Non-competition Deed which provides that any acquisition by the Company upon the exercise of any Option to acquire business (the “**New Business**”) or any interest in the New Business will be on no less favourable terms than the acquisition by the Controlling Shareholders in the first instance. The acquisition of the equity interests in the Target Companies by Tianrui Group Company in the first instance had been approved by the independent non-executive Directors in accordance with the Non-competition Deed.

CHANGES TO THE SHAREHOLDING IN THE COMPANY AS A RESULT OF THE ISSUE OF THE CONSIDERATION SHARES

The following table sets out the shareholding structure of the Company (based on the best knowledge of the Directors) (i) as at the date of this announcement; and (ii) immediately upon Completion (assuming that save for the issue of the Consideration Shares, there is no issue or repurchase of Shares by the Company from the date of this announcement to the date of Completion and there is no exercise of any options granted under the Share Option Scheme):

Yu Kuo and its parties acting in concert	As at the date of this announcement		Upon Completion	
	<i>No. of Shares</i>	<i>Approximate %</i>	<i>No. of Shares</i>	<i>Approximate %</i>
Yu Kuo ⁽¹⁾	950,000,000	39.57%	1,487,381,647	50.62%
Wan Qi ⁽¹⁾	<u>689,400,000</u>	<u>28.71%</u>	<u>689,400,000</u>	<u>23.46%</u>
Sub-total:	<u>1,639,400,000</u>	<u>68.28%</u>	<u>2,176,781,647</u>	<u>74.08%</u>
Public Shareholders				
PA Investment Funds SPC — PA Greater China Industrial Opportunities Fund Segregated Portfolio	237,600,000	9.90%	237,600,000	8.09%
Yue Xiu Investment Fund Series Segregated Portfolio Company	123,000,000	5.12%	123,000,000	4.19%
Other public Shareholders	<u>400,900,000</u>	<u>16.70%</u>	<u>400,900,000</u>	<u>13.64%</u>
Total:	<u>2,400,900,000</u>	<u>100%</u>	<u>2,938,281,647</u>	<u>100%</u>

¹ Wan Qi is a company incorporated in BVI with limited liability and is wholly-owned by Mr. Tang Ming Chien. Wan Qi and Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo and other Controlling Shareholders under the Takeovers Code as it holds more than 20% interests in the Company.

LISTING RULES IMPLICATIONS

As one or more of the applicable percentage ratios of the Listing Rules in respect of the Acquisition exceeds 5% and all of the applicable percentage ratios are less than 25%, the Acquisition constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules.

Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company which, in turn, is owned as to 70% by Chairman Li and 30% by Mrs. Li. Yu Kuo directly holds approximately 39.57% of the entire issued share capital of the Company. Chairman Li, Mrs Li, Tianrui Group Company and Yu Kuo are connected persons of the Company under the Listing Rules. Accordingly the entering into of the Acquisition Agreement shall also constitute a connected transaction of the Company under the Listing Rules and the transactions contemplated under the Acquisition Agreement, including the issue of the Consideration Shares, are subject to the requirements of reporting, announcement and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

TAKEOVERS CODE IMPLICATIONS

As at the date of this announcement, Yu Kuo, which is an indirect wholly-owned subsidiary of Tianrui Group Company which, in turn, is owned as to 70% by Chairman Li, directly holds approximately 39.57% of the entire issued share capital of the Company. Under the Takeovers Code, Wan Qi and its sole shareholder Mr. Tang Ming Chien are presumed to be acting in concert with Yu Kuo as Wan Qi is holding approximately 28.71% (which is more than 20%) of the entire issued share capital of the Company. The aggregate number of Shares held by Yu Kuo and Wan Qi is 1,639,400,000, representing approximately 68.28% of the entire issued share capital of the Company.

Immediately after Completion and assuming that there are no other changes to the issued share capital of the Company from the date of this announcement to Completion, Yu Kuo and Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) will hold approximately 74.08% of the Company's then enlarged issued share capital. Despite the fact that Yu Kuo and Wan Qi hold in aggregate more than 50% of the entire issued share capital of the Company, as the shareholding of Yu Kuo itself will increase from 39.57% to 50.62% as a result of the Acquisition assuming that there are no other changes to the issued share capital of the Company from the date of this announcement to Completion, pursuant to Rule 26.1 of the Takeovers Code, Yu Kuo will be required to make a mandatory general offer for all the issued shares in the share capital of the Company not already owned or agreed to be acquired by Yu Kuo and parties acting in concert with it unless the Whitewash Waiver is obtained from the Executive. An application will be made to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Yu Kuo will make an application to the Executive for the Whitewash Waiver. The Whitewash Waiver, if granted, would be subject to, among other things, the approval of the Independent Shareholders at the EGM by way of poll.

Yu Kuo, Wan Qi (being a party which is presumed to be acting in concert with Yu Kuo under the Takeovers Code) and the parties who are acting in concert with Yu Kuo and Wan Qi will abstain from voting at the EGM to approve the Acquisition Agreement and the Whitewash Waiver. Save as aforesaid, none of the Shareholders has any material interest in the

transactions contemplated under the Acquisition Agreement, nor is interested in or involved in the Acquisition or the Whitewash Waiver and is therefore are not required to abstain from voting at the EGM.

If the Whitewash Waiver is approved by the Independent Shareholders at the EGM, upon the issue of the Consideration Shares to Yu Kuo (and assuming there is no other change to the issued share capital of the Company), the interest of Yu Kuo in the Company will exceed 50%. Yu Kuo may further increase its shareholdings in the Company without incurring any further obligations under Rule 26 of the Takeovers Code to make a general offer.

As at the date of this announcement, the Company does not believe that the Acquisition (including the allotment and issue of the Consideration Shares) would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules). If a concern should arise after the release of this announcement, the Company will endeavour to resolve the matter to the satisfaction of the relevant authority as soon as possible but in any event before the dispatch of the Circular. The Company notes that the Executive may not grant the Whitewash Waiver if the Acquisition (including the allotment and issue of the Consideration Shares) does not comply with other applicable rules and regulations.

THE LISTING RULES IBC AND THE TAKEOVERS CODE IBC

The Listing Rules IBC, comprising all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition and the Specific Mandate, has been established in compliance with Rule 14A.41 of the Listing Rules. The Takeovers Code IBC, comprising the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors, for the purpose of making a recommendation to the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and the Specific Mandate, has been established in compliance with Rule 2.8 of the Takeovers Code. Chairman Li, a non-executive Director, indirectly owns 70% shareholding interest in Yu Kuo and is therefore considered to have a material interest in the Acquisition, the Whitewash Waiver and the Specific Mandate. Chairman Li is not offered membership of the Takeovers Code IBC.

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

TC Capital International Limited has been appointed as the Independent Financial Adviser with the IBC's approval to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition and the Specific Mandate; and (ii) the Takeovers Code IBC and the Independent Shareholders in relation to the Acquisition, the Whitewash Waiver and the Specific Mandate.

SHARE DEALING BY THE CONTROLLING SHAREHOLDERS

Under paragraph 3(a) of Schedule VI of the Takeovers Code, the Executive will not normally waive an obligation under Rule 26 of the Takeovers Code if the person to whom the new securities are to be issued or any person acting in concert with him has acquired voting rights in the Company in the 6 months prior to the announcement of the proposals but subsequent to

negotiations, discussions or the reaching of understandings or agreements with the directors of the Company (which would include informal discussions) in relation to the proposed issue of new securities.

Each of the Controlling Shareholders (including Yu Kuo) and the parties which are, or are presumed to be acting in concert with the Controlling Shareholders (i.e. Wan Qi and Mr. Tang Ming Chien) and parties acting in concert with any of them have not acquired or entered into any agreement or arrangement to acquire, voting rights in the Company in the six months prior to and up to and including the date of this announcement.

As at the date of this announcement, each of the Controlling Shareholders has confirmed that:

- (i) neither the Controlling Shareholders nor parties acting in concert with any of them has received an irrevocable commitment from anyone to vote for the Acquisition and/or the Whitewash Waiver;
- (ii) neither the Controlling Shareholders nor parties acting in concert with any of them holds any convertible securities, warrants or options of the Company;
- (iii) neither the Controlling Shareholders nor any person acting in concert with any of them has entered into outstanding derivative in respect of securities in the Company;
- (iv) there are no arrangements (whether by way of option, indemnity or otherwise) in relation to the shares of Yu Kuo or the Company and which might be material to the Acquisition and/or the Whitewash Waiver;
- (v) there are no agreements or arrangements to which any of Controlling Shareholders is party which relate to the circumstances in which any of them may or may not invoke or seek to invoke a pre-condition or a condition to the Acquisition and/or the Whitewash Waiver (save as the conditions precedent to the Acquisition); and
- (vi) there are no relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company which the Controlling Shareholders or any person acting in concert with any of them has borrowed or lent, save for any borrowed shares which have been either on-lent or sold.

An application will be made to the Executive for the grant of the Whitewash Waiver.

GENERAL INFORMATION

The Circular containing, among others: (1) details of the Acquisition, the Whitewash Waiver and the Specific Mandate; (2) a letter of recommendation from the Listing Rules IBC to the Independent Shareholders on the Acquisition and Specific Mandate; (3) a letter of recommendation from the Takeovers Code IBC to the Independent Shareholders on the Acquisition, the Whitewash Waiver and Specific Mandate; (4) a letter of advice by the Independent Financial Adviser to the Listing Rules IBC, the Takeovers Code IBC and Independent Shareholders on the Acquisition, the Whitewash Waiver and the Specific Mandate; and (5) a notice convening the EGM, will be published in due course. The Circular is currently expected to be despatched to the Shareholders on or before 16 December 2016. If additional time is required for preparation of the relevant information for inclusion in the Circular, the Company will apply to the Executive for a waiver from compliance with Rule 8.2

of the Takeovers Code and/or to the Stock Exchange for a waiver from compliance with the applicable requirements under the Listing Rules. In this connection, further announcement(s) will be made by the Company as and when appropriate.

Shareholders and potential investors should note that the Acquisition is subject to the fulfilment of a number of conditions, and accordingly, the transactions contemplated thereunder may or may not proceed. Shareholders and potential investors should exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the following meanings unless the contexts otherwise require:

“Acquisition”	the acquisition by the Company of the First Sale Shares and the Second Sale Shares under the Acquisition Agreement
“Acquisition Agreement”	the share purchase agreement in relation to the Acquisition entered into between the Company and Tianrui Group Company on 25 November 2016
“acting in concert”	has the same meaning ascribed to it under the Takeovers Code
“associate”	has the meaning ascribed to it in the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	a day on which commercial banks are open for general commercial business in Hong Kong (excluding Saturdays or Sundays or public holidays or a day on which a tropical cyclone warning No. 8 or above or a “black rainstorm warning signal” is hoisted in Hong Kong at any time between 9:00 a.m. and 5:00 p.m.)
“BVI”	the British Virgin Islands
“Chairman Li”	Mr. Li Liufa, the chairman of the Board, a non-executive director of the Company and one of the Controlling Shareholders
“Circular”	the circular to be dispatched to the Shareholders with respect to, among others, the Acquisition, the Whitewash Waiver and the Specific Mandate
“Company”	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Stock Exchange
“Completion”	completion of the Acquisition under the Acquisition Agreement
“Consideration”	RMB919,000,000, being the total consideration for the transfer and acquisition of the Sale Shares
“connected person”	has the meaning ascribed to it under Chapter 14A of the Listing Rules

“Consideration Shares”	537,381,647 Shares to be allotted and issued by the Company to Yu Kuo at the Issue Price for the satisfaction of the Consideration upon Completion
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules and refers to each of the Controlling Shareholders (namely, Chairman Li, Mrs. Li, Tianrui Group Company, Holy Eagle, Yu Qi, Tianrui International and Yu Kuo) in the context of this announcement
“Director(s)”	Director(s) of the Company
“EGM”	an extraordinary general meeting of the Company to be convened to consider and, if thought fit, approve, among other things, the Acquisition Agreement and the respective transactions contemplated thereunder, the Whitewash Waiver and the Specific Mandate
“Executive”	the executive director of the Corporate Finance Division of the SFC from time to time and any delegate of such executive director
“First Sale Shares”	100% of the equity interest in Yongan Cement
“Group”	the Company and its subsidiaries prior to completion of the Acquisition
“HK\$”	Hong Kong dollar, the lawful currency of Hong Kong
“Holy Eagle”	Holy Eagle Company Limited (神鷹有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“IBC”	the Listing Rules IBC and the Takeovers Code IBC
“IFRS”	the International Financial Reporting Standards issued by the International Accounting Standards Board
“Independent Financial Adviser”	TC Capital International Limited, a corporation licensed to carry on Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO, being the independent financial adviser appointed to advise (i) the Listing Rules IBC and the Independent Shareholders in respect of the Acquisition and the Specific Mandate; and (ii) the Takeovers Code IBC and the Independent Shareholders in respect of the Acquisition, the Whitewash Waiver and the Specific Mandate
“Independent Shareholders”	Shareholders other than (i) Yu Kuo, (ii) Wan Qi (a party who is presumed to be acting in concert with Yu Kuo under the Takeovers Code), (iii) parties that are acting in concert with Yu Kuo and Wan Qi and (iv) those who are interested or involved in the Acquisition or the Whitewash Waiver

“Independent Third Party”	person(s) who, to the best of the Directors’ knowledge, information and belief having made all reasonable enquiry, is a third party independent of the Company and its connected persons
“Issue Price”	HK\$1.92 per Share
“Last Trading Day”	24 November 2016, being the last day on which the Shares were traded on the Stock Exchange prior to the release of the Announcement
“Listing Committee”	has the meaning ascribed to it under the Listing Rules
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Listing Rules IBC”	an independent board committee, comprising all the independent non-executive Directors formed pursuant to the Listing Rules to advise the Independent Shareholders as to whether the Acquisition and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders, taking into account the advice from the Independent Financial Adviser
“Long Stop Date”	the date falling on the 180th day after the date of the Acquisition Agreement or such later date as the Company and Tianrui Group Company may agree in writing pursuant to the Acquisition Agreement
“Mrs. Li”	Ms. Li Fengluan, the spouse of Chairman Li and one of the Controlling Shareholders
“Non-competition Deed”	the non-competition deed dated 16 October 2014 and approved in the extraordinary general meeting of the Company on 17 November 2014, particulars of which are set out in the circular of the Company dated 31 October 2014
“Option”	the option in favour of the Company over the business subsequently developed by the Controlling Shareholders, more details of which are set out in the circular of the Company dated 31 October 2014
“PRC”	the People’s Republic of China, excluding Hong Kong, the Macau Special Administrative Region of the People’s Republic of China and Taiwan for the purposes of this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“Ruiping Shilong”	Pingdingshan Ruiping Shilong Cement Company Limited (平頂山瑞平石龍水泥有限公司), a company incorporated in the PRC with limited liability
“Sale Shares”	the First Sale Shares and the Second Sale Shares
“Second Sale Shares”	55% of the equity interest in Xindeng Cement

“SFC”	the Securities and Futures Commission
“SFO”	the Securities and Futures Ordinance of Hong Kong (Chapter 571 of the Laws of Hong Kong)
“Share(s)”	ordinary share(s) of the Company with a nominal value of HK\$0.01 each
“Shareholder(s)”	the holder(s) of the Share(s)
“Share Option Scheme”	the share option scheme conditionally adopted by the Company on 12 December 2011, the principal terms of which are set out in the section headed “Statutory and General Information — D. Other Information” in Appendix VI to the prospectus of the Company dated 14 December 2011
“Specific Mandate”	the specific mandate to allot and issue the Consideration Shares to be sought from the Independent Shareholders at the EGM to satisfy the consideration of the Acquisition
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary”	has the meaning ascribed to it under the Companies Ordinance (Chapter 622 of the Laws of Hong Kong)
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	the Code on Takeovers and Mergers
“Takeovers Code IBC”	an independent board committee, comprising the non-executive Directors, namely, Mr. Li Heping and Mr. Yang Yongzheng, and all the independent non-executive Directors formed pursuant to the Takeovers Code to advise the Independent Shareholders as to whether the Acquisition, the Whitewash Waiver and the Specific Mandate are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole, and to make a recommendation to the Independent Shareholders, taking into account the advice from the Independent Financial Adviser
“Target Companies”	collectively, Yongan Cement and Xindeng Cement
“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 Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability and a company held as to 70% and 30% by Chairman Li and Mrs. Li respectively

“Tianrui (HK)”	China Tianrui (Hong Kong) Company Limited (中國天瑞(香港)有限公司), a company incorporated in Hong Kong with limited liability and a wholly-owned subsidiary of the Company
“Tianrui International”	Tianrui (International) Holding Company Limited (天瑞(國際)控股有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui Group Company
“Valuation Report”	the Valuation report considering the market value of 100% of the equity interest in Yongan Cement and 55% of the equity interest in Xindeng Cement issued by Roma Appraisals Limited dated 25 November 2016, an independent valuer
“Wan Qi”	Wan Qi Company Limited, a company incorporated in the BVI with limited liability, which holds approximately 28.71% of the issued share capital of the Company and is wholly owned by Mr. Tang Ming Chien as at the date of this announcement
“Whitewash Waiver”	waiver as may be granted by the Executive in favour of Yu Kuo in respect of its obligations to extend a general offer to acquire the issued Shares (excluding the issued Shares which are owned or agreed to be acquired by it or parties acting in concert with it) in accordance with Note 1 on Dispensation from Rule 26 of the Takeovers Code as a result of Completion
“Xindeng Cement”	Tianrui Xindeng Zhengzhou Cement Company Limited (天瑞新登鄭州水泥有限公司), a company established in the PRC with limited liability which is held as to 55% by Tianrui Group Company and 45% by Zhengzhou Xindeng Enterprise Group Company Limited (鄭州新登企業集團有限公司), an Independent Third Party
“Yongan Cement”	Henan Yongan Cement Company Limited (河南永安水泥有限責任公司), a company established in the PRC with limited liability which is wholly owned by Tianrui Group Company
“Yu Kuo”	Yu Kuo Company Limited (煜闊有限公司), a company incorporated in the BVI with limited liability, which is an intermediate controlling shareholder of the Company holding 39.57% of the issued share capital of the Company and the issued share capital of which is owned as to 51.25% by Holy Eagle and 48.75% by Yu Qi
“Yu Qi”	Yu Qi Company Limited (煜祺有限公司), a company incorporated in the BVI with limited liability, which is wholly owned by Tianrui International
“Zhong Yuan Cement”	Zhong Yuan Cement Company Limited (中原水泥有限公司), a company incorporated in the BVI with limited liability and a wholly-owned subsidiary of the Company

“%” per cent

For illustration purpose, amounts in RMB have been translated into HK\$ at HK\$1.00 = RMB0.89070 in this announcement.

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

Zhengzhou City, Henan Province, PRC, 25 November 2016

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

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

Mr. Xu Wuxue and Mr. Li Jiangming

Non-executive Directors

Mr. Li Heping and Mr. Yang Yongzheng

Independent Non-executive Directors

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

The Directors jointly and severally accept full responsibility for the accuracy of information contained in this announcement and confirm, having made all reasonable enquiries, that to the best of their knowledge, opinions expressed in this announcement have been arrived at after due and careful consideration and there are no other facts not contained in this announcement, the omission of which would make any such statement contained in this announcement misleading.

APPENDIX 1 — VALUATION REPORT OF THE TARGET COMPANIES

A. Letter from Central China International Capital Limited

25 November 2016

The board of directors
China Tianrui Group Cement Company Limited
Room 2005A, 20/F,
Lippo Centre, Tower 2
89 Queensway
Admiralty
Hong Kong

Dear Sirs,

We refer to the Announcement of the Company dated 25 November 2016 (“Announcement”) which has included the valuation report dated 25 November 2016 (“Valuation Report”) prepared by Roma Appraisals Limited (the “Valuer”) in relation to the valuation of (i) 100% equity interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited or “Yongan Cement”); and (ii) 55% equity interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited or “Xindeng Cement”) (collectively the “Valuation”). Unless the context requires otherwise, terms used in this letter have the same meanings as defined in the Announcement.

According to the Valuation Report, the Valuation has been performed by the Valuer which has adopted the market-based approach and used the price-to-book multiples in calculating the market values of 100% equity in Yongan Cement and 55% equity interest in Xindeng Cement, which stood at RMB866,000,000 and RMB404,000,000, respectively as at 30 September 2016 (the “Date of Valuation”).

We have reviewed the Valuation Report and discussed with the management of the Company and the Valuer regarding the Valuation Report, including, in particular, the valuation approach and bases and assumptions. With respect to the Valuer’s qualifications and experience, upon which we are required to report pursuant to Rule 11.1(b) of the Code on Takeovers and Mergers and Share Repurchases (the “Takeovers Code”), we have conducted reasonable checks to assess the Valuer’s relevant qualification, experience and expertise.

In arriving at our views, we have relied on information and materials provided to us by the Company, and the opinions expressed by, and the representations of, the management of the Company and the Valuer, which we have assumed to be true, accurate, complete and not misleading and remain so as of the date hereof, and that no material fact or information has been omitted therefrom. Circumstances could have developed or could develop in the future that, if known to us at the time of the issue of this letter, may affect our assessment and our views on the Valuation. Further, we would caution that qualifications, bases and assumptions of the Valuation are inherently subject to potential significant business, economic and competitive uncertainties and contingencies, which are beyond the control of the Company and the Valuer.

We are acting only as the financial adviser to the Company in relation to the Acquisition. We and our respective directors and affiliates will not, whether jointly or severally, be responsible to anyone other than the Company for providing advice in connection with the Acquisition, nor will we, our respective directors and affiliates, whether jointly or severally, owe any responsibility to anyone other than the Company. Nothing in this letter should be construed as an opinion or recommendation to any person as to how to vote on the Acquisition, the Whitewash Waiver and the Specific Mandate and the transactions contemplated thereunder. Shareholders are recommended to read the letter from the Independent Board Committee and the letter from the Independent Financial Adviser as set out in the Circular for such recommendation.

On the basis of the foregoing, we are of the opinion that the bases and assumptions set out in the Valuation, for which the Directors are solely responsible, have been made with due care and objectivity, and on a reasonable basis and that the assumptions are fair and reasonable. We are also satisfied that the Valuer is suitably qualified and experienced with sufficient current knowledge, skills and understanding to undertake the Valuation competently.

This letter is supplied on the understanding that it is for the sole use of the Company. It must not be made available to any other party or filed with or referred to (either in whole or in part) in the Announcement or any other document or otherwise quoted, circulated or used for any other purpose without our prior written consent, except that we understand a copy of this letter will be lodged with the Stock Exchange and the Executive of the SFC and included in the Announcement to be despatched by the Company.

For the avoidance of doubt, all duties and liabilities (including without limitation those arising from negligence) to third parties, including the Stock Exchange, are specifically disclaimed, except those of our responsibilities under the Takeovers Code that cannot be disclaimed.

Pursuant to Rule 11.5(c) of the Takeovers Code, we have given and not withdrawn our consent to the publication of this letter.

Yours faithfully,
For and on behalf of
Central China International Capital Limited

B. Letter from Roma Appraisals Limited



Unit 3806, 38/F, China Resources Building,
26 Harbour Road, Wan Chai, Hong Kong
Tel (852) 2529 6878 Fax (852) 2529 6806
E-mail info@romagroup.com
<http://www.romagroup.com>

25 November 2016

China Tianrui Group Cement Company Limited

Room 2005A, 20/F.,
Lippo Centre Tower 2,
89 Queensway, Admiralty,
Hong Kong

Case Ref: CL/BVRE2713/MAY15

Dear Sir/Madam,

Re: Business Valuation of 100% Equity Interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited) and 55% Equity Interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited)

In accordance with the instructions from China Tianrui Group Cement Company Limited (hereinafter referred to as the “Company”), we have performed a business valuation of 100% equity interest in 河南永安水泥有限責任公司 (Henan Yongan Cement Company Limited) (hereinafter referred to as the “Business Enterprise 1”) and 55% Equity Interest in 天瑞新登鄭州水泥有限公司 (Tianrui Xindeng Zhengzhou Cement Company Limited) (hereinafter referred to as the “Business Enterprise 2”) (collectively referred to as the “Business Enterprises”). We are pleased to report that we have made relevant enquiries and obtained other information which we considered relevant for the purpose of providing you with our opinion of values as at 30 September 2016 (hereinafter referred to as the “Date of Valuation”).

This report states the purpose of valuation, scope of work, economic overview, overview of the cement industry in China, overview of the Business Enterprises, basis of valuation, investigation and analysis, valuation methodology, major assumptions, information reviewed, limiting conditions, remarks, and presents our opinion of values.

1. PURPOSE OF VALUATION

This report is prepared solely for the use of the directors and management of the Company. In addition, Roma Appraisals Limited (hereinafter referred to as “Roma Appraisals”) acknowledges that this report may be made available to the Company for public documentation purpose only. In accordance with Rule 11.5(c) of the Code on Takeovers and Mergers, we have given and have not withdrawn our written consent to the publication of this valuation report in the announcement of the Company dated 25 November 2016.

Roma Appraisals assumes no responsibility whatsoever to any person other than the Company in respect of, or arising out of, the contents of this report. If others choose to rely in any way on the contents of this report they do so entirely at their own risk.

2. SCOPE OF WORK

Our valuation conclusion is based on the assumptions stated herein and information provided by the management of the Company, the management of the Business Enterprises, and/or their representative(s) (hereinafter referred to as the “Management”).

In preparing this report, we have had discussions with the Management in relation to the development, operations and other relevant information of the Business Enterprises. As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprises provided to us by the Management and have considered such information and data as attainable and reasonable.

We have no reason to believe that any material facts have been withheld from us. However, we do not warrant that our investigations have revealed all of the matters which an audit or more extensive examination might disclose.

3. ECONOMIC OVERVIEW

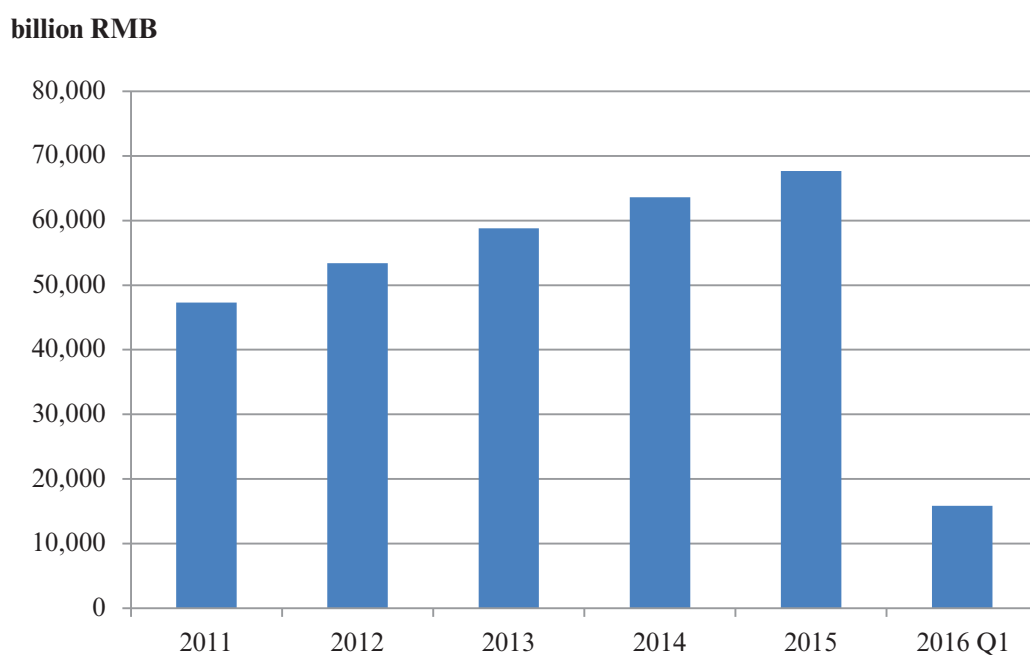
3.1 Overview of the Economy in China

According to the National Bureau of Statistics of China, the nominal gross domestic product (“GDP”) of China in the first quarter of 2016 was RMB15,852.64 billion, a year over year increase of 7.2% comparing to March 2015. China was the third largest economy in the world, ranked after the European Union and the United States, in terms of nominal GDP measured by the International Monetary Fund (“IMF”) in 2014. Despite the global financial crisis in late 2008, the Chinese economy continued to be supported by the Chinese government through spending in infrastructure and real estates.

Throughout 2009, the global economic downturn reduced foreign demand for Chinese exports for the first time in many years. The government vowed to continue reforming the economy and emphasized the need to increase domestic consumption in order to make China less dependent on foreign exports. China’s economy rebounded quickly in 2010, outperforming all other major economies with robust GDP growth and the economy remained in strong growth since 2011.

Over the past five years from 2011 to 2015, compound annual growth rate of China’s nominal GDP was 11.0% whereas the Chinese government targeted to grow its GDP by around 7.0% annually for the period from 2011 to 2015. Figure 1 illustrates the nominal GDP of China from 2011 to the first quarter of 2016.

Figure 1 — China’s Nominal GDP from 2011 to the First Quarter of 2016



Source: National Bureau of Statistics of China

3.2 Inflation in China

Tackling inflation problem has long been the top priority of the Chinese government as high prices are considered as one of the causes of social unrest. For such a fast-growing economy, the middle-class’ demand for food and commodities has been rising continuously. Inflation in China has been driven mainly by food prices, which have stayed high since 2011. According to the National Bureau of Statistics of China, the consumer price index (“CPI”) demonstrated an uptrend in the first half of 2011. Thanks to the government’s policies in suppressing commodity prices, the inflation in CPI slowed in the second half of 2011 and first half of 2012 and maintained at around 2.0% to 3.2% during 2013. During 2014, the CPI dropped and reached 1.5% in December 2014. During first half of 2015, the CPI maintained at around 0.8% to 1.5%, and fluctuated around 1.3% to 2.0% in second half year of 2015. In the first quarter of 2016, the CPI remained at a steady rate of 2.3%. Figure 2 shows the year-over-year change in CPI of China from April 2013 to March 2016.

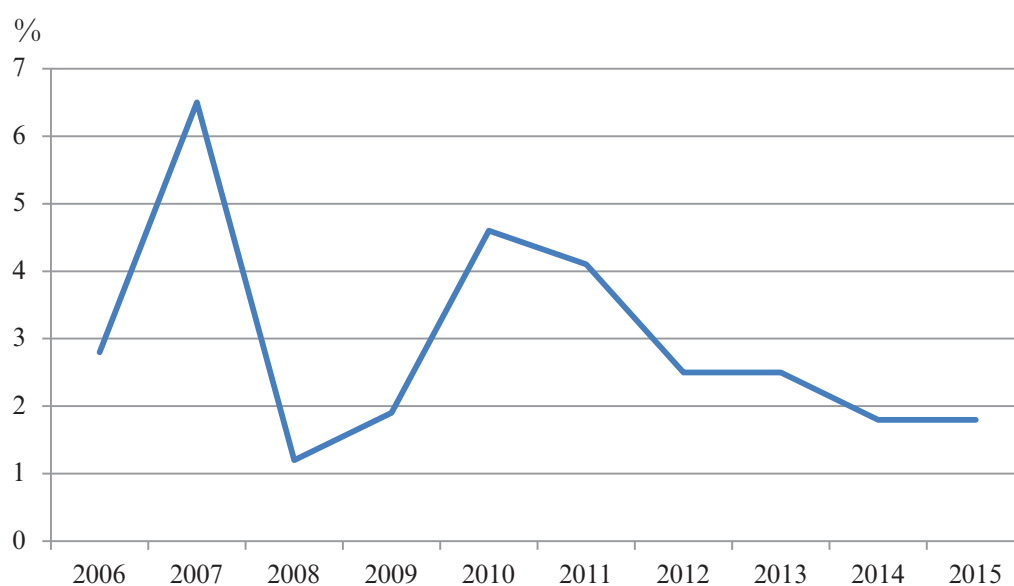
Figure 2 — Year-over-year Change in China’s Consumer Price Index from April 2013 to March 2016



Source: Bloomberg

China’s inflation rate was volatile during the past decade. According to the IMF, the inflation rate in China increased from 2.8% in 2006 to 6.5% in 2007, and then dropped to 1.2% and 1.9% in 2008 and 2009 respectively. The inflation rate increased to 4.6% in 2010 and maintained at 4.1% in 2011. The inflation rate dropped again to 2.5% in 2012 and 2013, and further to 1.8% in 2014. Finally, it maintained at 1.8% in 2015. According to IMF’s forecast, the long-term inflation rate of China is expected to be around 3.0%. Figure 3 shows the historical trend of China’s inflation rate from 2006 to 2015.

Figure 3 — China’s Inflation Rate from 2006 to 2015



Source: International Monetary Fund

4. OVERVIEW OF THE CEMENT INDUSTRY IN CHINA

4.1 Cement Industry in China

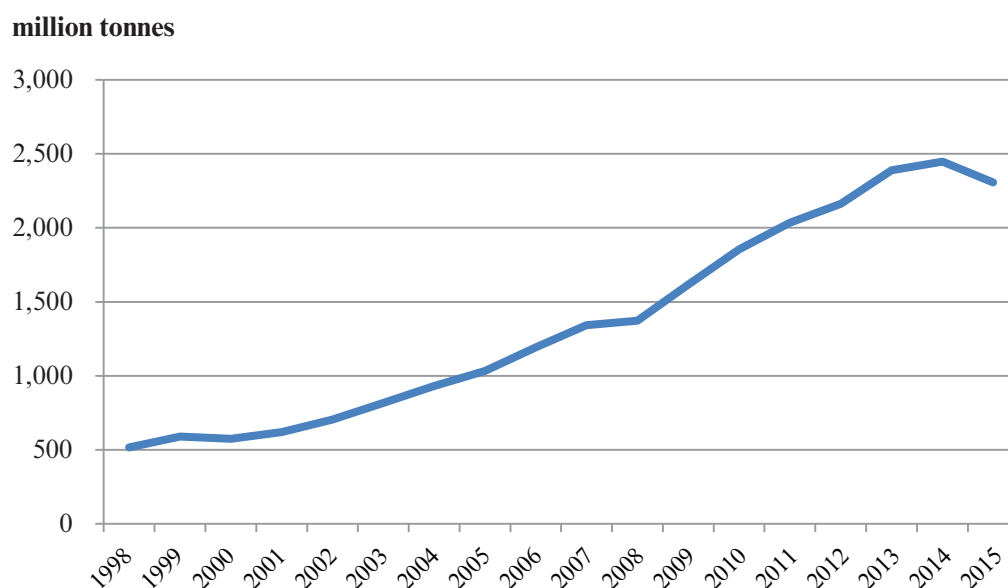
The problem of over-capacity is a concern for cement industry in the recent years. To solve it, on one hand, the government strictly controls the development of new production capacity and on the other hand, it eliminates backward production capacity by forcing smaller and uncompetitive enterprises out of the market. Also, it supports and encourages industry integration, as a result, the major enterprises in the industry trend to cooperate and increasing industry concentration.

However, since the production capacity of cement has been at a high level from 2012 to 2015, which was greater than 3 billion tonnes per year, while the market demand for cement in 2015 is around 2 billion tonnes. It has resulted in lower prices of cement and also the profit of cement enterprises. In 2015, the economic growth in China slowed down which led to a market downturn in the cement industry. According to National Bureau of Statistics of China, the aggregate profit of the industry in 2015 was approximately RMB33 billion, representing a year-on-year decrease of 57%.

4.2 Turnover of Cement

In China, there are three main types of cement in the market, which are 32.5-grade cement, 42.5-grade cement and 52.5-grade cement. These three types of cement are widely used in infrastructure construction. The turnover of cement in China showed an increasing trend from year 1998 to 2014, matching with the expanding construction activities in China during the period. Figure 4 below illustrates the turnover of all types of cement in China from 1998 to 2015.

Figure 4 — Turnover of Cement in China from 1998 to 2015

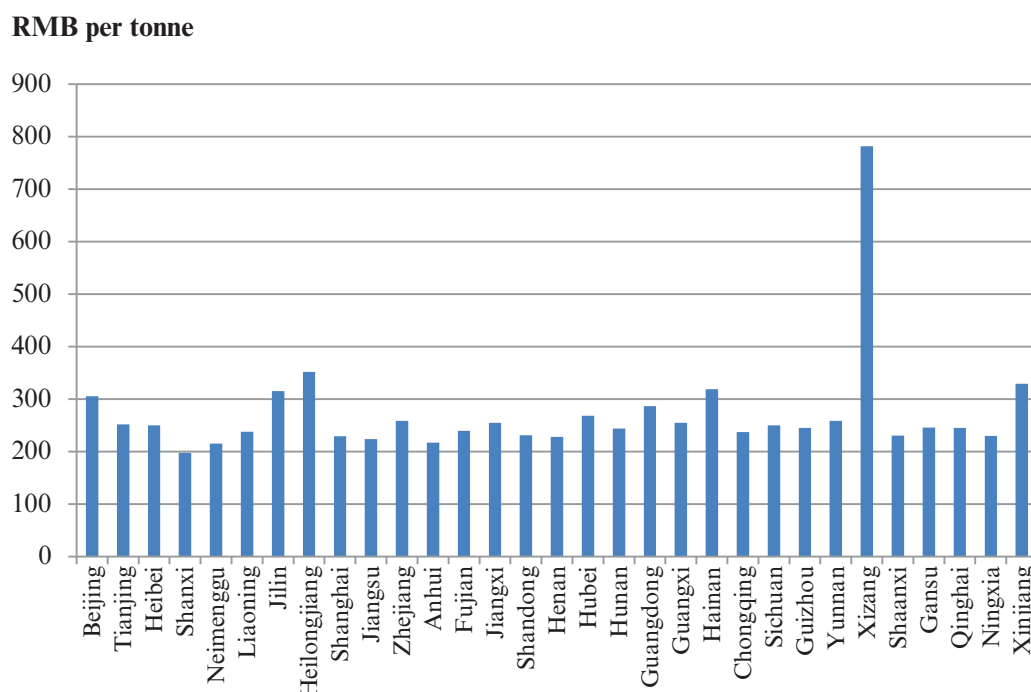


Source: National Bureau of Statistics of China

4.3 Prices of Cement

Cement is a regional product since its sales radius is subject to the restriction of transportation, the prices of cement among different regions in China can be significantly different, ranging from around RMB200 to RMB780 per tonne. Remote provinces such as Xizang and Xinjiang and the region of Northeast have a higher cement price. Figure 5 illustrates the price of 42.5-grade cement in different provinces as at 30 June 2016.

Figure 5 — Price of 42.5-grade Cement in Different Provinces as at 30 June 2016



Source: Ministry of Industry and Information Technology of the People's Republic of China

Note: The products for sale of the Business Enterprises include 32.5-grade, 42.5-grade and 52.5-grade cement, in which the 42.5 grade cement accounts for around 70% and 80% of the total cement revenue of Business Enterprise 1 and Business Enterprise 2 respectively according to the Management.

Note: Only prices for 42.5-grade cement were available from this information source, while prices for 32.5-grade and 52.5-grade cement were not available from this and other official sources.

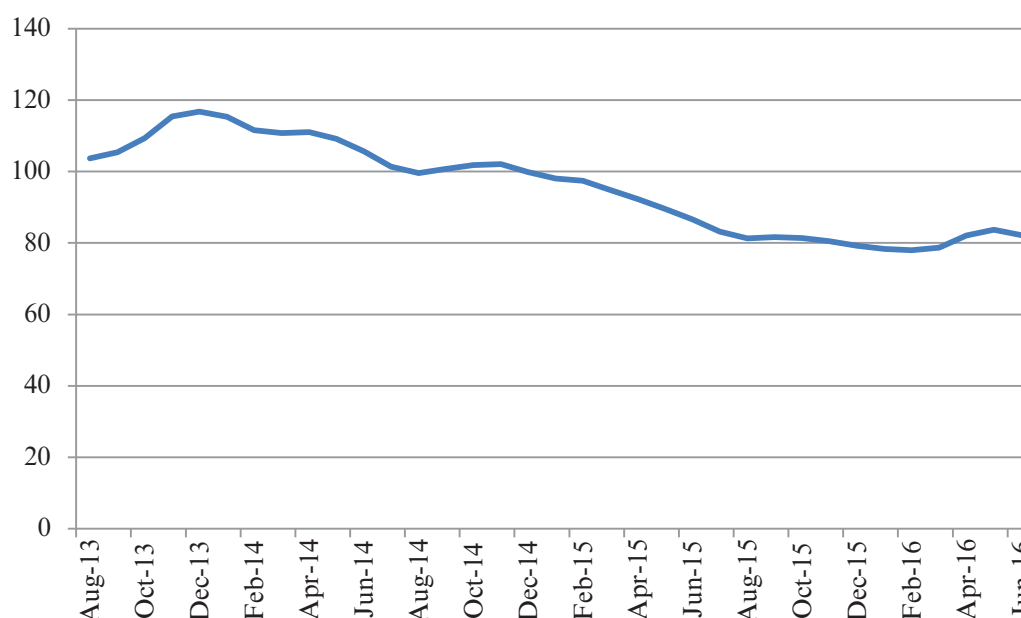
According to the Management, there are a few possible explanations for the absence of official statistics on the 32.5-grade and 52.5-grade cement prices, list out as follows:

- customers of 32.5-grade cement in the cement market in the PRC are mostly retail based, and it is rather difficult to gather statistical data on the retail price for 32.5-grade cement; and
- sales volume of 52.5-grade cement in the cement market in the PRC is relatively small, there may not be sufficient price data for official sources to construct a representable database.

While the 42.5-grade cement is the most common product in the cement industry, the Management is of the view that the price of 42.5-grade cement is a reasonable indicator to reflect the current market status of the cement industry.

Figure 6 illustrates the recent trends of Cement Price Index (CEMPI) from August 2013 to June 2016. This represents the overall prices of 42.5-grade cement in 31 provinces. The base year is 2009 and the base value is 100. It reached a high level in December 2013 and after that, it kept decreasing and maintained at a stable level at around 80 from August 2015 until now.

Figure 6 — Trends of CEMPI from August 2013 to June 2016



Source: Ministry of Industry and Information Technology of the People's Republic of China

In preparing the industry overview, we have discussed with the Management to understand the operation of the Business Enterprises and the cement industry, as well as performed independent researches on publicly available information, and then presented the relevant findings on the cement industry. In the course of our research, we noted that there was limited statistical information on 32.5-grade and 52.5-grade cement prices. We are of the view that as the intention of the industry overview section is to provide the viewer the overall condition of the cement industry, we do not express any view on the information obtained. Nevertheless, given the cement price analysis would not have any direct impact on the adopted methodology (as discussed in section 8 of this report) and hence the valuation of the Business Enterprises, we are satisfied with the completeness of such price analysis and industry overview.

5. OVERVIEW OF THE BUSINESS ENTERPRISES

5.1 Overview of the Business Enterprise 1

The Business Enterprise 1 was established in the People's Republic of China ("PRC") in May 2007 as a limited liability company with a registered capital of RMB576,600,000.

The Business Enterprise 1 is headquartered in Gongyi City, Henan Province, the PRC and is principally engaged in manufacture and sale of clinker and cement in Gongyi City and Luoyang City of Henan Province. The Business Enterprise 1 owns a piece of land of 128,321 square meters in Zhi Tian town, Gong Yi City, Henan Province (hereinafter referred to as the "Land"), upon which its principal factories and manufacture base are situated.

The Business Enterprise 1 also holds mining license (hereinafter referred to as the "Mining License") with respect to limestone for cement manufacture (水泥用石灰岩). The limestone site is situated in Gong Yi City, Henan Province with an area of 2.5695 km² and its mining license has a validity period from December 2013 to December 2043. All the limestone of the said limestone site is expected to continue its current utilization for the manufacture activities of the Business Enterprise 1 after the completion of the acquisition by the Company of 100% equity interest of the Business Enterprise 1.

5.2 Overview of the Business Enterprise 2

The Business Enterprise 2 was established in the PRC in March 2008 as a limited liability company with a registered capital of RMB294,667,600. The Business Enterprise 2 is headquartered in Dengfeng City, Henan Province, PRC and is principally engaged in the manufacture and sale of clinker and cement in Luoyang City, Gongyi City, Xinmi City and Dengfeng City of Henan Province. Following completion of the acquisition by the Company of 55% equity interest of the Business Enterprise 2, the Business Enterprise 2 will become a subsidiary of the Company.

6. BASIS OF VALUATION

Our valuation was based on a market value basis. According to the International Valuation Standards established by the International Valuation Standards Council in 2011, **market value** is defined as "the estimated amount for which an asset should exchange on the valuation date between a willing buyer and a willing seller in an arm's length transaction, after proper marketing and where the parties had each acted knowledgeably, prudently and without compulsion".

7. INVESTIGATION AND ANALYSIS

Our investigation included discussions with members of the Management in relation to the development, operations and other relevant information of the Business Enterprises.

As part of our analysis, we have reviewed such financial information and other pertinent data concerning the Business Enterprises provided to us by the Management and have considered such information and data as attainable and reasonable.

The valuation requires consideration of all pertinent factors, which may or may not affect the market values of the Business Enterprises. The factors considered in the valuation include, but are not necessarily limited to, the following:

- The nature and prospect of the Business Enterprises;
- The financial information of the Business Enterprises;
- The economic outlook in general and the specific economic environment and market elements affecting the business, industry and market;
- Relevant licenses and agreements;
- The business risks of the Business Enterprises such as the ability in maintaining competent technical and professional personnel; and
- Investment returns and market transactions of entities engaged in similar lines of business.

8. VALUATION METHODOLOGY

There are generally three accepted approaches to obtain the market values of the Business Enterprises, namely the Market-Based Approach, Income-Based Approach and Asset-Based Approach. Each of these approaches is appropriate in one or more circumstances, and sometimes, two or more approaches may be used together. Whether to adopt a particular approach will be determined by the most commonly adopted practice in valuing business entities that are similar in nature.

8.1 Market-Based Approach

The Market-Based Approach values a business entity by comparing prices at which other business entities in a similar nature changed hands in arm's length transactions. The underlying theory of this approach is that one would not pay more than one would have to for an equally desirable alternative. By adopting this approach, the valuer will first look for valuation indication of prices of other similar business entities that have been sold recently.

The right transactions employed in analyzing indications of values need to be sold at an arm's length basis, assuming that the buyers and sellers are well informed and have no special motivations or compulsions to buy or to sell.

8.2 Income-Based Approach

The Income-Based Approach focuses on the economic benefits due to the income producing capability of the business entity. The underlying theory of this approach is that the value of the business entity can be measured by the present worth of the economic benefits to be received over the useful life of the business entity. Based on this valuation principle, the Income-Based Approach estimates the future economic benefits and discounts them to their present values using a discount rate appropriate for the risks associated with realizing those benefits.

Alternatively, this present value can be calculated by capitalizing the economic benefits to be received in the next period at an appropriate capitalization rate. This is subject to the assumption that the business entity will continue to maintain stable economic benefits and growth rate.

8.3 Asset-Based Approach

The Asset-Based Approach values the business entity by aggregating the costs of developing the asset to its current condition, or replacing the assets of the business entity.

8.4 Business Valuation

In the process of valuing the Business Enterprises, we have taken into account of the operation and financial information of the Business Enterprises and conducted discussions with the Management to understand the status and prospect of the Business Enterprises and the cement industry they are participating. Also, we have considered the accessibility to available data and relevant market transactions in choosing among the valuation approaches. The Income-Based Approach was not adopted because a lot of assumptions would have to be made and the valuation could be largely influenced by any inappropriate assumptions made. The Asset-Based Approach was also not adopted because it could not capture the future earning potential of the Business Enterprises and therefore it could not reflect the market values of the Business Enterprises. We have therefore considered the adoption of the Market-Based Approach in arriving at the market values of the Business Enterprises.

By adopting the Market-Based Approach, we have to determine the appropriate valuation multiples of comparable companies, in which we have considered price-to-sales, price-to-earnings and price-to-book multiples. The operation of the Business Enterprises and similar cement companies are heavily depend on their assets, and it is a common industry practice to adopt price-to-book multiple in valuing cement companies. Therefore, we have adopted the price-to-book multiple as we considered it as the most appropriate multiple in calculating the market values of the Business Enterprises.

We have shortlisted several listed companies with similar business nature and operations similar to those of the Business Enterprises as comparable companies for the purposes of the Market-Based Approach. The comparable companies were selected mainly with reference to the following selection criteria:

- The companies are principally engaged in production and sale of cement in the PRC;
- The companies have at least 50% of revenue derived from cement business; and
- The financial information of the companies is available to the public.

The list of selected comparable companies is an exhaustive list based on the aforementioned criteria.

Details of the comparable companies adopted were listed as follows:

Company Name	Stock Code	Listing Location	Business Description
Dongwu Cement International Ltd	695.HK	Hong Kong	Dongwu Cement International Ltd is a cement and clinker producer in Wujang City, Suzhou Prefecture, PRC. The company uses NSP technology in their production process. The company's products are sold in bulk cement form and are used in general cement applications.
Asia Cement China Holdings Corporation	743.HK	Hong Kong	Asia Cement China Holdings Corporation manufactures cement in China. The company excavates the raw materials for, and produces, clinker and different types of cement.
Anhui Conch Cement Company Limited	914.HK	Hong Kong	Anhui Conch Cement Company Limited produces and sells ordinary portland cement, portland cement, portland blast furnace slag cement, compound cement, and commercial clinker.
TCC International Holdings Limited	1136.HK	Hong Kong	TCC International Holdings Limited, through its subsidiaries, manufactures, imports, and distributes cement. The company also produces ready mixed concrete and provides cellular telecommunication services.
China Tianrui Group Cement Co Ltd.	1252.HK	Hong Kong	China Tianrui Group Cement Co Ltd. is a clinker and produces cement products in Henan and Liaoning provinces. The company's operations range from the excavation of limestone, to the production, sale and distribution of clinker and cement.

Company Name	Stock Code	Listing Location	Business Description
Tongfang Kontafarma Holdings Limited	1312.HK	Hong Kong	Tongfang Kontafarma Holdings Limited manufactures and sells cement, clinker and slag throughout China.
China Resources Cement Holdings Limited	1313.HK	Hong Kong	China Resources Cement Holdings Limited, through its subsidiaries, produces, distributes and sells cement, clinker and concrete.
West China Cement Limited	2233.HK	Hong Kong	West China Cement Limited produces and distributes cement products.
China National Building Material Company Ltd.	3323.HK	Hong Kong	China National Building Material Company Ltd. manufactures building materials. The company produces cement, dry wall, ceiling systems, and fiberglass.
Tangshan Jidong Cement Co Ltd	000401.CH	China	Tangshan Jidong Cement Co., Ltd. manufactures and markets portland cement and cement clinker. The company also provides cement machine installation services.
Jinyuan Cement Co Ltd	000546.CH	China	Jinyuan Cement Co., Ltd is an investment holding company. Through its subsidiaries, the company produces and sells cement products, develops and manages real estate.
Gansu Shangfeng Cement Co Ltd	000672.CH	China	Gansu Shangfeng Cement Co Ltd engages in the production and sale of cement.
Jiangxi Wannianqing Cement Co., Ltd.	000789.CH	China	Jiangxi Wannianqing Cement Co., Ltd. manufactures and markets cement and clinker products. The company also manufactures quartz chips and leases properties.
Xinjiang Tianshan Cement Co., Ltd.	000877.CH	China	Xinjiang Tianshan Cement Co., Ltd. manufactures and markets a variety of cement and its related products. The company's products include normal cement, composite cement, portland cement, concrete, clinker, and other related products.

Company Name	Stock Code	Listing Location	Business Description
Henan Tongli Cement Co., Ltd.	000885.CH	China	Henan Tongli Cement Co., Ltd. produces and sells cement. The company's products include ordinary Portland cement, Portland slag cement and other cement equipments.
Sichuan Shuangma Cement Co., Ltd.	000935.CH	China	Sichuan Shuangma Cement Co., Ltd. manufactures and markets cement and cement products. Through its subsidiaries, the company also generates electric power and trades construction materials.
Guangdong Tapai Group Co., Ltd.	002233.CH	China	Guangdong Tapai Group Co., Ltd. manufactures and markets cements.
Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd.	600425.CH	China	Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd. manufactures and markets cement, cement products, and chemical products. The company's products include portland cement, concrete, phosphate fertilizers, and other related products.
Ningxia Building Materials Group Co., Ltd.	600449.CH	China	Ningxia Building Materials Group Co., Ltd. manufactures and retails cement, clinker, and unplasticised polyvinyl chloride (UPVC) pipes.
Taiyuan Lionhead Cement Co Ltd	600539.CH	China	Taiyuan Lionhead Cement Co., Ltd. manufactures and sells portland cement, aluminat cement, concrete, and clinker.
Gansu Qilianshan Cement Group Co., Ltd.	600720.CH	China	Gansu Qilianshan Cement Group Co., Ltd. develops and manufactures cement and cement products. The company's products include portland cement, low-alkali cement, sulphate resistant cement, clinker, concrete, and other related products. The company mainly sells its products in northwest China.

Company Name	Stock Code	Listing Location	Business Description
Huaxin Cement Co Ltd	600801.CH	China	Huaxin Cement Co., Ltd. manufactures and markets cement products. The company also provides cement-related technical service, installs and maintains cement production equipment, and imports and exports cement and other building materials.
Fujian Cement Inc	600802.CH	China	Fujian Cement Inc. manufactures and markets Portland cement, clinker, bricks, and other building materials. Through its subsidiaries, the company also operates in real estate development and truck transportation.
Yunnan Bowin Technology Industry Co. Ltd.	600883.CH	China	Yunnan Bowin Technology Industry Co. Ltd. manufactures and sells Portland cement. Its cement products include Portland cement, bulk Portland cement and compound Portland cement.

Source: Bloomberg

The P/B multiples of the aforementioned comparable companies were listed as follows:

Company Name	Stock Code	P/B Multiple
Dongwu Cement International Ltd	695.HK	2.07
Asia Cement China Holdings Corporation	743.HK	0.28
Anhui Conch Cement Co Limited	914.HK	1.36
TCC International Holdings Limited	1136.HK	0.50
China Tianrui Group Cement Co Ltd.	1252.HK	0.54
Tongfang Kontafarma Holdings Limited	1312.HK	2.46
China Resources Cement Holdings Limited	1313.HK	0.76
West China Cement Limited	2233.HK	0.62
China National Building Material Company Ltd.	3323.HK	0.39
Tangshan Jidong Cement Co Ltd	000401.CH	1.41
Jinyuan Cement Co Ltd	000546.CH	3.49
Gansu Shangfeng Cement Co Ltd	000672.CH	3.16
Jiangxi Wannianqing Cement Co., Ltd.	000789.CH	1.61
Xinjiang Tianshan Cement Co., Ltd.	000877.CH	0.99
Henan Tongli Cement Co., Ltd.	000885.CH	3.29
Sichuan Shuangma Cement Co., Ltd.	000935.CH	5.27
Guangdong Tapai Group Co., Ltd.	002233.CH	1.76
Xinjiang Qingsong Building Materials and Chemicals Group Co., Ltd.	600425.CH	1.36
Ningxia Building Materials Group Co., Ltd.	600449.CH	1.08
Taiyuan Lionhead Cement Co Ltd	600539.CH	8.23
Gansu Qilianshan Cement Group Co., Ltd.	600720.CH	1.13
Huaxin Cement Co Ltd	600801.CH	1.09
Fujian Cement Inc	600802.CH	4.61
Yunnan Bowin Technology Industry Co. Ltd.	600883.CH	6.00
Median P/B Multiple		1.39

Source: Bloomberg

The price-to-book multiple adopted was the median of the price-to-book multiples of the above comparable companies as at the Date of Valuation as extracted from Bloomberg. As advised by the Management, the audited financial statements of the Business Enterprises as at 30 September 2016 were not available as at the Date of Valuation. We have adopted the latest available audited net asset values of the Business Enterprises based on the audited financial statements of the Business Enterprise 1 and the Business Enterprise 2 as at 30 June 2016, which were RMB587,686,000 and RMB498,453,000 respectively. According to the Management, the Management was well aware of the actual status of the Business Enterprise as at 30 September 2016, whereby they do not notice any change or event prior to the Date of Valuation that may materially affect the status of the Business Enterprises, and hence there is no material difference on the net asset values of the Business Enterprises as at 30 June 2016 and 30 September 2016. Then we obtained the market values of the Business Enterprises by applying the median price-to-book multiple to the net asset values of the Business Enterprises.

8.4.1 Marketability Discount and Control Premium

Compared to similar interests in public companies, ownership interests in closely held companies are not readily marketable. Therefore, the value of a share of stock in a privately held company is usually less than an otherwise comparable share in a publicly held company. We have made reference to the 2016 edition of the FMV Restricted Stock Study Companion Guide (the “Guide”) by FMV Opinions, Inc., one of the national preeminent firms offering a broad range of financial advisory services to private and public companies. According to the Guide, a total of 736 private placement transactions of unregistered common stock issued by publicly traded companies from July 1980 through September 2015 were examined. With reference to the Guide, we have adopted the median marketability discount for the 736 transactions of 16.11% in arriving at the market values of the Business Enterprises as at the Date of Valuation. The median marketability discount was adopted to minimize the effect of extreme data.

In addition, as we are considering the values of the Business Enterprises from the perspective of controlling interest, the median control premium for international transaction of 26.70% has been adopted to reflect the higher marketability of a controlling interest compared to a minority interest with reference to the Mergerstat Control Premium Study (1st Quarter 2016) (the “Study”) published by FactSet Mergerstat, LLC, an independent information provider for merger and acquisition transaction data. The median control premium was adopted to minimize the effect of extreme data. The Study examined 116 transactions (comprising 56 U.S. transactions and 60 international transactions) whereby 50.01% or more of a company was acquired for the 1st quarter of 2016.

8.5 Calculation Details

The calculation details of the market value of the Business Enterprise 1 were illustrated as follows:

	Net Asset Values of Business Enterprise 1 (RMB)	587,686,000
x	Median P/B Multiple	1.39
	Market Value before applying Marketability Discount and Control Premium (RMB)	815,002,945
x	Adjusted for Marketability Discount	(1 – 16.11%)
x	Adjusted for Control Premium	(1 + 26.70%)
	100% Equity Interest Market Value (RMB)	866,255,464
	Rounded Value (RMB)	866,000,000

Note: The totals may not sum due to rounding.

The calculation details of the market value of the Business Enterprise 2 were illustrated as follows:

	Net Asset Values of Business Enterprise 2 (RMB)	498,453,000
x	Median P/B Multiple	1.39
	Market Value before applying Marketability Discount and Control Premium (RMB)	691,254,620
x	Adjusted for Marketability Discount	(1 – 16.11%)
x	Adjusted for Control Premium	(1 + 26.70%)
	100% Equity Interest Market Value (RMB)	734,725,066
	55% Equity Interest Market Value (RMB)	404,098,786
	Rounded Value (RMB)	404,000,000

Note: The totals may not sum due to rounding.

9. MAJOR ASSUMPTIONS

We have adopted certain specific assumptions in our valuation and the major ones are as follows:

- We understand that the audited financial statements of Business Enterprises as at 30 September 2016 were not available as at the Date of Valuation. According to the Management, the Management was well aware of the actual status of the Business Enterprise as at 30 September 2016, whereby they do not notice any change or event prior to the Date of Valuation that may materially affect the status of the Business Enterprises, and hence there is no material difference on the net asset values of the Business Enterprises as at 30 June 2016 and 30 September 2016. As at our report date, no projections or forecast was considered by us in performing the valuation;
- The Business Enterprises would operate normally, in which major business assets of the Business Enterprises would be maintained in functional and workable conditions, free from possible emergency conditions or natural disaster events;
- All relevant legal approvals and business certificates or licenses to operate the business in the localities in which the Business Enterprises operate or intend to operate would be officially obtained and renewable upon expiry;
- There will be sufficient supply of technical staff in the industry in which the Business Enterprises operate, and the Business Enterprises will retain competent management, key personnel and technical staff to support its ongoing operations and developments;
- There will be no major change in the current taxation laws in the localities in which the Business Enterprises operate or intend to operate and that the rates of tax payable shall remain unchanged and that all applicable laws and regulations will be complied with;
- There will be no major change in the political, legal, economic or financial conditions in the localities in which the Business Enterprises operate or intend to operate, which would adversely affect the revenues attributable to and profitability of the Business Enterprises; and
- Interest rates and exchange rates in the localities for the operation of the Business Enterprises will not differ materially from those presently prevailing.

10. INFORMATION REVIEWED

Our opinion requires consideration of relevant factors affecting the market values of the Business Enterprises. The factors considered included, but were not necessarily limited to, the following:

- Audited financial statements of the Business Enterprises as at 30 June 2016;
- Historical information of the Business Enterprises;
- General descriptions in relation to the Business Enterprises; and
- Economic outlook in the PRC.

We have discussed the details with the Management. We have also conducted research from various sources to verify the reasonableness and fairness of information provided and we believe that such information is reasonable and reliable. We had assumed the accuracy of information provided and relied on such information to a considerable extent in arriving at our opinion.

11. LIMITING CONDITIONS

The valuation reflects facts and conditions existing at the Date of Valuation. Subsequent events or circumstances have not been considered and we are not required to update our report for such events and conditions.

We would particularly point out that our valuation was based on the information such as the company background, business nature and financial information of the Business Enterprises provided to us by the Management.

To the best of our knowledge, all data set forth in this report after we considered are reasonable and accurately determined. The data, opinions, or estimates identified as being furnished by others that have been used in formulating this analysis are gathered from reliable sources; yet, no guarantee is made nor liability assumed for their accuracy, but is reasonable.

We have relied on the historical and/or prospective information provided by the Management and other third parties to a considerable extent in arriving at our opinion of values. The information has been reviewed by us. However, we have had no reason to doubt the truth and accuracy of the information provided to us and to doubt that any material facts have been omitted from the information provided. No responsibilities for the operation and financial information that have not been provided to us are accepted.

We assumed that the Management is competent and perform duties under the company regulation. Also, ownership of the Business Enterprises was in responsible hands, unless otherwise stated in this report. The quality of the Management may have direct impact on the viability of the businesses as well as the market values.

We have not considered any relevant legal opinion or investigated the title to or any legal liabilities of the Business Enterprises, and have assumed no responsibility for the title to the Business Enterprises appraised. In case of any relevant legal issue that significantly changes the financial performances or operations of the Business Enterprises, there may have material impact on our opinion of values.

Our conclusion of values was derived from generally accepted valuation procedures and practices that rely substantially on the use of various assumptions and the consideration of many uncertainties, not all of which can be easily quantified or ascertained. The conclusion and various estimates may not be separated into parts, and/or used out of the context presented herein, and/or used together with any other valuation or study.

We assume no responsibility whatsoever to any person other than the directors and the Management in respect of, or arising out of, the content of this report. If others choose to rely in any way on the contents of this report, they do so entirely at their own risk.

The working papers and models for this valuation are being kept in our files and would be available for further references. We would be available to support our valuation if required. The title of this report shall not pass to the Company until all professional fee has been paid in full.

12. REMARKS

Unless otherwise stated, all monetary amounts stated in this valuation report are in Renminbi (RMB).

We hereby confirm that we have neither present nor prospective interests in the Company, the Business Enterprises and the associated companies, or the values reported herein.

13. OPINION OF VALUES

Based on the investigation and analysis stated above and on the valuation method employed, the market values of 100% equity interest in the Business Enterprise 1 and 55% equity interest in the Business Enterprise 2 as at the Date of Valuation, in our opinion, were reasonably stated as follows:

	RMB
100% Equity interest in the Business Enterprise 1	866,000,000
55% Equity interest in the Business Enterprise 2	404,000,000

Yours faithfully,
For and on behalf of
Roma Appraisals Limited