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CHINA TIANRUI GROUP CEMENT COMPANY LIMITED

中國天瑞集團水泥有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 1252)

CONTINUING CONNECTED TRANSACTIONS CLINKER SUPPLY FRAMEWORK AGREEMENT

Reference is made to the Announcements.

CLINKER SUPPLY FRAMEWORK AGREEMENT

On 1 April 2019, Tianrui Cement entered into the Clinker Supply Framework Agreement with Ruiping Shilong for a term from 1 April 2019 to 31 December 2021 in relation to the purchase of clinker from Ruiping Shilong by Tianrui Cement. Given the Supplemental Clinker Supply Framework Agreement will expire on 31 December 2019 and it is contemplated that the actual transaction amount may exceed the proposed annual caps under the Supplemental Clinker Supply Framework Agreement, the parties entered into the Clinker Supply Framework Agreement to supersede the Supplemental Clinker Supply Framework Agreement.

LISTING RULES IMPLICATIONS

Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the Clinker Supply framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Annual Caps under the Clinker Supply Framework Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the transactions contemplated under the Clinker Supply Framework Agreement are subject to the annual review, reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

BACKGROUND

Reference is made to the Announcements. Unless otherwise defined, terms defined in this announcement shall have the same meanings as defined in the Announcements.

Given the Supplemental Clinker Supply Framework Agreement will expire on 31 December 2019 and it is contemplated that the actual transaction amount may exceed the proposed annual caps under the Supplemental Clinker Supply Framework Agreement, the parties entered into the Clinker Supply Framework Agreement to supersede the Supplemental Clinker Supply Framework Agreement. Details of the Clinker Supply Framework Agreement are set out below.

CLINKER SUPPLY FRAMEWORK AGREEMENT

Date

1 April 2019

Parties

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

Term

The Clinker Supply Framework Agreement shall be effective from 1 April 2019 to 31 December 2021

Principal Terms

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

Implementation Agreement

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

Annual Cap

It is agreed that the maximum aggregate annual amount payable by Tianrui Cement to Ruiping Shilong for purchase of clinker for each of the years ending 31 December 2019, 2020 and 2021 shall not exceed the caps set out below:

	Proposed Annual Cap for the year ending		
	31 December	31 December	31 December
	2019	2020	2021
Total purchase amount	RMB500,000,000	RMB500,000,000	RMB500,000,000

The annual caps are determined by taking into account the following factors:

- (i) The historical aggregate value for purchase of clinker from Ruiping Shilong paid by Tianrui Cement and/or its subsidiaries for the year ended 31 December 2016, 2017 and 2018 were approximately RMB163,568,000, RMB298,744,000 and RMB298,003,000 respectively.
- (ii) The increase in the demand of clinker for Tianrui Cement and/or its subsidiaries for the three years ending 31 December 2019, 2020 and 2021, respectively due to the Group's clinker needs for the increasing production of cement products in the target market.

GENERAL PRICING PRINCIPLES

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

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

REASONS AND BENEFITS FOR ENTERING INTO THE CLINKER SUPPLY FRAMEWORK AGREEMENT

Clinker is a semi-finished product that can be used to produce different types of cement products with a profit margin lower than cement. Since 2009, Ruiping Shilong has been a clinker supplier to the Group. After considering the following factors: (1) the market status and trend of the Group's target market, which attributes to the Group's gradual increasing need of clinker; (2) with the benefit of being within proximity of the Group, Ruiping Shilong has been providing a stable supply of clinker with low logistics and transportation costs over the past years; (3) the Group's long established relationship with Ruiping Shilong; and (4) the prices of clinker provided by Ruiping Shilong are more favourable to the Group than the prices quoted by Independent Third Parties, the Directors (including the independent non-executive Directors) are of the view that the terms of the supply of clinker under the Clinker Supply Framework Agreement, including the Annual Caps for each of the three years ending 31 December 2019, 2020 and 2021, respectively, are fair and reasonable, and that the transactions are on normal commercial terms in the ordinary and usual course of businesses of the Group and in the interests of the Company and its Shareholders as a whole.

PRINCIPAL BUSINESS OF THE GROUP AND RUIPING SHILONG

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

IMPLICATIONS UNDER THE LISTING RULES

Since Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Ruiping Shilong is an associate of Chairman Li and Ms. Li, therefore a connected person of the Company. As such, the transactions under the Clinker Supply framework Agreement will constitute continuing connected transactions under Chapter 14A of the Listing Rules. As certain of the applicable percentage ratios in respect of the Annual Caps under the Clinker Supply Framework Agreement exceed 0.1% but all the applicable percentage ratios are less than 5%, the transactions contemplated under the Clinker Supply Framework Agreement are subject to the annual review, reporting and announcement requirements but are exempt from Independent Shareholders' approval requirement under Chapter 14A of the Listing Rules.

GENERAL

As Chairman Li and Ms. Li indirectly control more than 30% of the voting power at general meetings of Ruiping Shilong, Chairman Li and Ms. Li, and Mr. Li Jiangming (who is a younger brother of Ms. Li) had abstained from voting on the relevant board

resolution approving the Clinker Supply Framework Agreement. Save as mentioned above, none of the Directors has any material interest in the transactions thereunder and therefore no other Director has abstained from voting on such board resolution.

DEFINITIONS

“Announcements”	the announcements of the Company dated 30 December 2016 and 18 December 2017
“Annual Caps”	the respective annual caps for each of the three years ending 31 December 2019, 2020 and 2021 under the Clinker Supply Framework Agreement
“associate”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Chairman Li”	Li Liufa (李留法), the founder, chairman, non-executive Director and a controlling shareholder of the Group
“Clinker Supply Framework Agreement”	the agreement dated 1 April 2019 entered into between Ruiping Shilong and Tianrui Cement in relation to the purchase of clinker
“Company”	China Tianrui Group Cement Company Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	Director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Third Party(ies)”	individual(s) or company(ies) not connected with (within the meaning of the Listing Rules) any directors, chief executive or substantial shareholders of the Company or any of its subsidiaries or any of their respective associates

“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Ms. Li”	Li Fengluan (李鳳巒), the spouse of Chairman Li and an executive Director of the Company
“PRC”	the People’s Republic of China and for the purpose of this announcement, does not include Hong Kong, Macao Special Administrative Region and Taiwan
“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
“Stock Exchange”	the Stock Exchange of Hong Kong Limited
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of the Company

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

Ruzhou City, Henan Province, PRC, 7 April 2019

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

Chairman and Non-executive Director

Mr. Li Liufa

Executive Directors

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

Independent Non-executive Directors

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