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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)

**(1) DISCLOSEABLE AND CONTINUING CONNECTED
TRANSACTION
IN RELATION TO THE 2022 DEPOSIT SERVICES AGREEMENT; AND
(2) CONTINUING CONNECTED TRANSACTION IN RELATION
TO THE 2022 FINANCIAL SERVICES AGREEMENT**

BACKGROUND

Reference is made to the announcement of the Company dated 8 November 2019 and the circular dated 5 December 2019 in relation to the 2019 Deposit Services Agreement and the 2019 Financial Services Agreement, pursuant to which Tianrui Finance agreed to provide the Deposit Services, Credit Services and Settlement Services to Cement Group respectively, for a term up to 31 December 2022.

Accordingly, Tianrui Finance and Tianrui Cement entered into the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement for a term from 1 January 2023 up to 31 December 2025.

2022 DEPOSIT SERVICES AGREEMENT

On 4 November 2022 (after trading hours), Tianrui Cement, the Company's indirect wholly-owned subsidiary, and Tianrui Finance entered into the 2022 Deposit Services Agreement, pursuant to which Tianrui Finance agreed to provide the Deposit Services to the Cement Group, subject to the terms and conditions provided therein.

2022 FINANCIAL SERVICES AGREEMENT

On 4 November 2022 (after trading hours), Tianrui Cement, the Company's indirect wholly owned subsidiary, and Tianrui Finance entered into the 2022 Financial Services Agreement, pursuant to which Tianrui Finance agreed to provide the Cement Group with the Credit Services and the Settlement Services, subject to the terms and conditions provided therein.

LISTING RULES IMPLICATIONS

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together own the entire issued share capital of Yu Kuo Company Limited, a Controlling Shareholder. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Deposit Services under the 2022 Deposit Services Agreement

As the highest applicable percentage ratio in respect of the Deposit Services under the 2022 Deposit Services Agreement exceeds 5% but is less than 25% as defined by the Listing Rules, the Deposit Services constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) continuing connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Credit Services and Settlement Services under the 2022 Financial Services Agreement

The Credit Services to be provided by Tianrui Finance to Tianrui Cement under the 2022 Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Company. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Company will be granted in respect of the Credit Services, the Credit Services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

As the applicable percentage ratios of the total fees payable by Tianrui Cement to Tianrui Finance in respect of the Settlement Services under the 2022 Financial Services Agreement will fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, the Settlement Services will be fully exempt from the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will also disclose the relevant details of the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement in its next published annual report in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

GENERAL

The EGM will be held for the Independent Shareholders to consider and approve the 2022 Deposit Services Agreement.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the 2022 Deposit Services Agreement and the related proposed annual caps. SBI China Capital Hong Kong Securities Limited has been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders of the same.

A circular containing, among other matters, (i) further information on the Deposit Services contemplated under the 2022 Deposit Services Agreement; (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) the notice convening the EGM and a form of proxy will be despatched to the Shareholders after the publication of this announcement on or before 15 December 2022, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

BACKGROUND

Reference is made to the announcement of the Company dated 8 November 2019 and the circular dated 5 December 2019 in relation to the 2019 Deposit Services Agreement and the 2019 Financial Services Agreement, pursuant to which Tianrui Finance agreed to provide the Deposit Services, Credit Services and Settlement Services to Cement Group respectively, for a term up to 31 December 2022.

Accordingly, Tianrui Finance and Tianrui Cement entered into the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement for a term from 1 January 2023 up to 31 December 2025.

The terms of the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement are materially the same as the 2019 Deposit Services Agreement and the 2019 Financial Services Agreement respectively.

2022 DEPOSIT SERVICES AGREEMENT

Major terms of the 2022 Deposit Services Agreement are as follows:

Date:

4 November 2022 (after trading hours)

Parties:

- (i) Tianrui Cement; and
- (ii) Tianrui Finance (as service provider)

Term:

The period commencing from 1 January 2023 to 31 December 2025

Major terms:

(i) Deposit Services

Tianrui Finance shall provide the Cement Group with the Deposit Services subject to the terms and conditions provided in the 2022 Deposit Services Agreement. The deposits placed by the Cement Group to Tianrui Finance are repayable on demand. The interest rate offered by Tianrui Finance to the Cement Group for the Deposit Services shall be higher than (i) the relevant benchmark interest rate(s) as set by the PBOC and (ii) the interest rate(s) offered to the Cement Group by other mainstream financial institutions in the PRC for comparable deposits of similar nature and under similar terms during the same period. The interest accrued for the deposits is payable every quarter. The daily balance of the Cement Group's deposits (including any interest accrued therefrom) with Tianrui Finance for the years ending 31 December 2023, 2024 and 2025 shall not exceed RMB1,200 million, RMB1,200 million and RMB1,200 million, respectively.

However, the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds, i.e. the total outstanding loan balance provided by Tianrui Finance to the Cement Group pursuant to the 2022 Financial Services Agreement. Furthermore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance. Therefore, there will not be actual loss to be incurred by Cement Group in case of default by Tianrui Finance.

(ii) Set-off

In the event of any default by Tianrui Finance as a result of which the Cement Group is not able to recover the amount deposited with Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance.

(iii) Undertakings by Tianrui Finance:

Tianrui Finance undertakes to the Cement Group, among other things, that:

- (a) it shall ensure the security and independence of the Cement Group's deposits and not impose any restriction thereon. Tianrui Finance shall only deposit the Cement Group's deposit into commercial banks with licence issued by the CBRC and be responsible for any loss sustained by the Cement Group arising from the security of its system;
- (b) it has the qualification and has obtained all necessary permits, approvals, licences required to carry out its obligations under the 2022 Deposit Services Agreement, and will provide the Deposit Services in accordance with "Measures for the Administration of Finance Companies of Enterprise Groups" 《企業集團財務公司管理辦法》;
- (c) it shall cooperate with the Cement Group in compliance with the disclosure requirements under the relevant rules and regulations regarding the connected transactions (as defined under the Listing Rules) contemplated under the 2022 Deposit Services Agreement;
- (d) it shall regularly supply annual audit report or such other financial information as requested by the Company, regularly disclose its operation and financial conditions to the Company, allow the Company's auditors to review its accounting records for the purpose of complying with the Listing Rules and conduct regular checks on the deposits;
- (e) it shall notify the Company and take measures to prevent loss from occurring or further loss should it be in breach of relevant laws and regulations or subject to regulatory proceedings or have material adverse changes in its financial condition; and
- (f) it will strictly comply with the risk regulatory indicators promulgated by the CBRC applicable to Tianrui Finance and ensure its major regulatory indicators such as the asset-liability ratio and liquidity ratio comply with the requirements of the CBRC and other relevant laws and regulations. Tianrui Finance is subject to the on-site supervision and management by the CBRC and is required to submit monthly, quarterly, interim and annual reports to the CBRC and the Company will review such report to ensure compliance by Tianrui Finance.

(iv) Special Conditions

Tianrui Finance shall notify the Cement Group in writing within two business days and take actions to remedy the following events:

- i. Tianrui Finance is unable to pay its material debts or if any of the directors or senior management is involved in criminal offences;
- ii. Any material changes in organizational structure and business operation may affect the normal operation of Tianrui Finance;
- iii. Any shareholder loans due to Tianrui Finance is overdue for more than one year;
- iv. any regulatory indicators are not in compliance with those set out in Article 34 of the Measures for the Administration of Finance Companies of Enterprise Groups issued by the CBRC (“Article 34 of the Measures”);
- v. Tianrui Finance is subject to major penalty imposed by the CBRC including but not limited to administrative punishment and being ordered for rectification; and
- vi. Other matters which may impact the security of the Cement Group’s deposit.

(v) Non-competition Clause

The funds deposited to Tianrui Finance by the Cement Group shall not be used to finance any other entities which are engaged in business competes with the business of Cement Group.

(vi) Conditions Precedents

The 2022 Deposit Services Agreement is conditional upon (i) the Independent Shareholders’ approval of the 2022 Deposit Services Agreement and the arrangement of the Deposit Services at the EGM of the Company and (ii) other relevant approvals as may be required for the 2022 Deposit Services Agreement to take effect.

(vii) Termination

The 2022 Deposit Services Agreement shall not be terminated by any of the parties unilaterally.

In addition to the default events provided by the Contract Laws of the PRC, Tianrui Cement may terminate the 2022 Deposit Services Agreement with immediate effect if Tianrui Finance fails to fulfil its duties and complete its rectifications within the period prescribed by the CBRC, according to the Measures for the Administration of Finance Companies of Enterprise Groups 《企業集團財務公司管理辦法》 issued by the CBRC.

Upon termination of the 2022 Deposit Services Agreement, the Cement Group may withdraw all of its deposits with Tianrui Finance at any time. If there is any outstanding loan owed by the Cement Group, the Cement Group may negotiate with Tianrui Finance regarding the repayment amount and terms for the repayment of loan.

(viii) Indemnity

Tianrui Finance will fully indemnify any loss suffered by the Cement Group due to the default of Tianrui Finance.

Proposed caps

The proposed annual caps for the maximum daily deposit amount (including the corresponding interests accrued thereon) by member(s) of the Cement Group with Tianrui Finance in relation to the Deposit Services are as follows, which are the same as those under the 2019 Deposit Services Agreement:

	From 1 January 2023 to 31 December 2023 (RMB)	From 1 January to 31 December 2024 (RMB)	From 1 January to 31 December 2025 (RMB)
Maximum daily balance of the Deposit Services	1,200 million	1,200 million	1,200 million

The annual cap under the 2019 Deposit Services Agreement are RMB1,200 million, RMB1,200 million and RMB1,200 million for the years ended 31 December 2020, 2021 and 2022 respectively.

The historical highest daily balance under the 2019 Deposit Services Agreement are as follows:

	From 1 January 2020 to 31 December 2020 (RMB)	From 1 January to 31 December 2021 (RMB)	From 1 January 2022 to 30 September 2022 (RMB)
Historical highest daily balance of the Deposit Services	1,181.9 million	1,128.0 million	1,128.0 million

Basis of the Proposed Annual Caps

The proposed annual caps for the Deposit Services were determined after taking into account of the following factors.

- (a) As disclosed in the 2022 interim report of the Company, the Group's cash and bank balance increased from RMB2,310.6 million as at 31 December 2021 to RMB2,497.2 million as at 30 June 2022, primarily due to the increase in cash inflows from operating activities during the six months ended 30 June 2022. The Directors expect the Group to continue to have extra idle cash. The Group's bank balance and cash on hand as at 30 June 2022 is higher than the proposed annual caps for the Deposit Services.
- (b) The Cement Group is not under any obligation to place deposits with the Tianrui Finance pursuant to the 2022 Deposit Services Agreement.

2022 FINANCIAL SERVICES AGREEMENT

Date:

4 November 2022 (after trading hours)

Parties:

- (i) Tianrui Cement; and
- (ii) Tianrui Finance (as service provider)

Term:

The period commencing from 1 January 2023 to 31 December 2025

Major Terms:

Services to be provided:

The services to be provided by Tianrui Finance to the member(s) of the Cement Group under the 2022 Financial Services Agreement include the Credit Services and the Settlement Services.

1. *The Credit Services*

Subject to the compliance of other applicable laws and regulations, the internal compliance and approval of Tianrui Finance and the entering of definitive agreement, Tianrui Finance would provide comprehensive credit facilities services to the Cement Group, the aggregate daily balance amount of which shall not exceed RMB3,000 million, RMB3,000 million and RMB3,000 million for the years ending 31 December 2023, 2024 and 2025, respectively.

The interest rate for the Credit Services to be provided by Tianrui Finance to the Cement Group shall be determined on normal commercial terms by reference to the interest rate(s) announced by the PBOC and the market conditions, but shall not exceed the highest interest rate offered by the PBOC for the same type of loan, and shall not exceed the interest rate offered by major financial institutions for the same type of loan.

2. *The Settlement Services*

Tianrui Finance would provide collection and payment services and other relevant clearing and settlement services for the member(s) of the Cement Group free of charge. Tianrui Finance shall ensure that its settlement services system operates safely which protects the security of funds and control the risk of assets and liabilities.

Tianrui Finance has been providing Settlement Services to the Cement Group free of charge under the 2019 Financial Services Agreement and will continue to provide Settlement Services to the Cement Group under the 2022 Financial Services Agreement. Accordingly, the aforesaid Settlement Services are fully exempt continuing connected transactions under the Listing Rules.

3. *Other Services*

If Tianrui Finance provides any other financial services as approved by CBRC to the Cement Group, Tianrui Finance and Tianrui Cement will enter into a separate agreement in accordance with the 2022 Financial Services Agreement and the requirements of the Listing Rules.

The fees so charged shall not be higher than the rates for the same type of services of the same period offered by any financial institutions for the same type of services in PRC.

Cement Group has not paid any fee to Tianrui Finance in respect of other services under the 2019 Financial Services Agreement.

Proposed Caps

The maximum daily balance for the Credit Services for the years ending 31 December 2023, 2024 and 2025 are RMB3,000 million, RMB3,000 million and RMB3,000 million, respectively, which are the same as those under 2019 Financial Services Agreement.

The annual cap of daily balance under the 2019 Financial Services Agreement are RMB3,000 million, RMB3,000 million and RMB3,000 million for the years ended 31 December 2020, 2021 and 2022, respectively.

The historical highest daily balance of Credit Services under the 2019 Financial Services Agreement are RMB1,370 million, RMB1,480 million and RMB1,480 million during the year ended 31 December 2020, 31 December 2021 and the nine months ended 30 September 2022.

Basis of the Proposed Annual Caps:

The proposed annual caps were determined after taking into account of the total borrowings and bonds (including corporate bonds) of the Group as at 30 June 2022 being approximately RMB10,265.8 million, the existing business' potential funding requirement and the historical transaction amount.

The Company plans to use part of the aggregate credit facility and the internal resources of the Group to provide more efficient and competitive financing channels. In addition, the Company plans to employ a portion of the credit facility to facilitate the internal project financing.

INTERNAL CONTROL AND RISK MANAGEMENT OF THE COMPANY

The followings will be adopted by the Company to ensure that the transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement are on normal commercial terms and in the interests of the Company and the Shareholders as a whole and in compliance with the Listing Rules:

- (a) in respect of the Deposit Services under the 2022 Deposit Services Agreement to be utilized by the Cement Group, the Group will adopt the following internal control measures:
 - (1) in respect of the Deposit Services under the 2022 Deposit Services Agreement to be utilized by the Cement Group, the personnel in the finance department of the Group is/are responsible for the comparing of the rate(s) offered by Tianrui Finance against the deposit rate(s) announced by the PBOC, and further against the deposit rate(s) offered by at least three major commercial banks in the PRC, to confirm the rate(s) offered by Tianrui Finance are more favorable to the Cement Group. The main criterion for selecting the three major commercial banks for benchmarking purpose are (i) previous volume of transactions with the Cement Group; and (ii) deposit interest rate which the banks offer. The main criterion for selecting financial institutions for providing deposit services are (i) the more favourable interest charges and fees that they can offer; and (ii) the previous business relationship with the institution.
 - (2) such information together with the daily deposit amount (with the corresponding accrued interests) will be consolidated and included in a report to be submitted to the chief financial officer of the Group for review, verification and approval.
 - (3) the Audit Committee of the Company reviews the quarterly reports to ensure the rates and terms offered to member(s) of the Cement Group for the Deposit Services complied with the terms and conditions under the 2022 Deposit Services Agreement and the aggregate daily deposit amount (with the corresponding accrued interests) with Tianrui Finance by the Cement Group shall not exceed the relevant proposed annual caps.
 - (4) financing will not be given to other entities which engaged in business competes with that of the Group.
 - (5) The Company's chief financial officer has been appointed as one of the directors of Tianrui Finance and is responsible for the management and day-to-day operation of Tianrui Finance. He will report any non-compliance and issues regarding to the internal control policies or financial to the Company immediately.

- (6) Quarterly reports about business performance, compliance, deposits and loans, and other services, and the financial statements (including profits and loss accounts and balance sheet) of Tianrui Finance prepared by Tianrui Finance in accordance with the related rules and regulations of CBRC, will be sent to the Cement Group and the Company for review and monitoring.
- (7) to monitor and control the risk of the Deposit Services and to formulate solutions in resolving any risk which may arise in connection therewith, the Company considers the possible risks include default risk, regulation risk and corporate governance risk: (i) in assessing the default risks, the Company considers that since the amount deposited by the Cement Group in Tianrui Finance shall not be more than the total loan outstanding balance provided by Tianrui Finance to the Cement Group, therefore, in the case of any default by Tianrui Finance, the Cement Group will be able to offset the amounts owing by Tianrui Finance to the Cement Group against the amounts due from the Cement Group to Tianrui Finance; and (ii) in assessing regulation risks, the Company considers that Tianrui Finance is governed by the CBRC and is subjected to related rules and regulations and internal control measures. As mentioned in the 2022 Deposit Services Agreement, the Cement Group will review all the monitoring reports submitted to the CBRC to ensure the compliance. Tianrui Finance shall notify the Cement Group in writing within two business days once there are any non-compliance issues or penalties imposed by the CBRC; and (iii) in assessing the corporate governance risk, the Company's chief financial officer has been appointed as one of the directors of Tianrui Finance.
- (8) to ensure that the amount deposited by the Cement Group with Tianrui Finance shall not be more than the usage of the total amount of funds. Firstly, certain staff in the finance department of the Cement Group is/are assigned to conduct manual checks on the loan amount before deposit is made. Furthermore, the computing software systems to record and monitor the amount deposited by the Cement Group with Tianrui Finance will notify the finance department if the amount is about to reach the loan amount. The Cement Group will check to ensure that the amount due to Tianrui Finance is always higher than the amount deposited to Tianrui Finance before the Cement Group repays a loan due to Tianrui Finance.
- (b) in respect of the Credit Services and Settlement Services under the 2022 Financial Services Agreement to be employed by the Cement Group, the personnel in finance department of the Group is/are responsible for comparing the interests and/or fees charged by Tianrui Finance with interests and/or fees charged by at least three major commercial banks or financial institutions in the PRC, to confirm the interests and/or fees charged by Tianrui Finance more favorable to the Cement Group, which all of these information together with the aggregate credit amount (including interests and/or fees payable, where applicable) will be included in a report to be submitted to the chief financial officer of the Group for review, verification and approval. The

approved report will be submitted to the Company for second review and records. Through the above control procedures, it will ensure the rates and terms offered to member(s) of the Cement Group for the Credit Services and Settlement Services are in compliance with the terms and conditions under the 2022 Financial Services Agreement and the aggregate credit amounts do not exceed the relevant proposed annual caps. The report will also include the information about net asset value of the asset(s) to be provided by member(s) of the Cement Group as collateral which will be reviewed to ensure the collateral provided is also in line with the relevant credit amounts.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2022 DEPOSIT SERVICES AGREEMENT AND THE 2022 FINANCIAL SERVICES AGREEMENT

The 2022 Deposit Services Agreement and the 2022 Financial Services Agreement were entered into by the respective parties in the ordinary and usual course of business of the Group. The Directors (excluding the independent non-executive Directors who will express their views in the circular after taking into account the advice of the Independent Financial Adviser) considered that:

- (1) the interest rate(s) offered to the member(s) of the Cement Group by Tianrui Finance for Deposit Services shall be higher than (i) the deposit rate(s) announced by the PBOC; and (ii) deposit rate(s) offered by major commercial banks in the PRC to the member(s) of the Cement Group, for comparable deposits, are on equal or better terms than those available from independent third parties;
- (2) the interest rate(s) offered to the member(s) of the Cement Group by Tianrui Finance for Credit Services shall not exceed the highest interest rate offered by the PBOC for the same type of loan, and shall not exceed the interest rate offered by major commercial banks for the same type of credit, are on equal or better terms than those available from independent third parties;
- (3) the Settlement Services provided by Tianrui Finance to the member(s) of the Cement Group are free of charge, which the Company could benefit from;
- (4) the deposit services and financial services provided by independent third parties in the past and the services under the Deposit Services and the Credit Services to be provided by Tianrui Finance are similar in nature. In addition, the Cement Group requires the Deposit Services and the Credit Services under the 2022 Financial Services Agreement for its daily operation, which are in the ordinary and usual course of business of the Group.

In view of the above, the Directors (excluding the independent non-executive Directors who will express their view in the circular after taking into account the advice of the Independent Financial Adviser) considered that the terms of the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement are on normal commercial terms as compared to those available from independent third parties under the prevailing local

market conditions. The 2022 Deposit Services Agreement and the 2022 Financial Services Agreement and the related proposed annual caps are fair and reasonable, in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Save for Mr. Li, Mrs. Li (Mr. Li's spouse), Mr. Li Xuanyu (Mr. Li Liufa's son), Mr. Li Jiangming (Mrs. Li's brother) and Mr. Xu Wuxue (a director of Tianrui Finance), all of the Directors have confirmed that none of them has any material interest in the 2022 Deposit Services Agreement, the 2022 Financial Services Agreement and the related proposed annual caps; and therefore no Director (except Mr. Li, Mrs. Li (Mr. Li's spouse), Mr. Li Xuanyu (Mr. Li Liufa's son), Mr. Li Jiangming and Mr. Xu Wuxue) is required to abstain from voting at the meeting of the Board to approve the 2022 Deposit Services Agreement, the 2022 Financial Services Agreement and the related proposed annual caps.

INFORMATION OF THE GROUP AND TIANRUI FINANCE

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

Tianrui Finance is a non-banking financial institution subject to the supervision of the CBRC. Its establishment was approved by the CBRC on 20 July 2015 and it is authorised to provide a variety of financial services including the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; provision of guarantees to member companies and dealing with entrusted loans among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; provision of loans and finance leasing services to member companies; provision of intra-group funds transfer and settlement services to member companies.

The scope of business of Tianrui Finance includes: the provision of financial and corporate finance advisory services, credit worthiness verification and related consultancy and agency services to member companies; provision of assistance in the payment and receipt of transaction proceeds to member companies; performing authorized insurance agency business; provision of guarantees to member companies and dealing with entrusted loans or investments among member companies; provision of draft acceptance and discounting services to member companies; provision of intra-group transfer and settlement services to member companies as well as the planning of clearing and settlement scheme; provision of deposit services to member companies; conducting inter-bank borrowing and lending.

As at the date of this announcement, Tianrui Finance had a registered capital of RMB1 billion which was owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 23% by Tianrui Travel and as to 5.25% by Tianrui Foundry.

Tianrui Group Company is a company established in the PRC with limited liability and held as to 70% by Mr. Li and 30% by Mrs. Li Fengluan, the spouse of Mr. Li, who have investment in different businesses such as foundry business, tourism, hotel business, energy and mining. Tianrui Group Company indirectly owns 69.58% of the shareholding of the Company. Tianrui Foundry and Tianrui Travel are subsidiaries of Tianrui Group Company.

LISTING RULES IMPLICATIONS

Tianrui Finance is a subsidiary of Tianrui Group Company. Tianrui Group Company is the holding company of Tianrui (International) Holding Company Limited which owns the entire issued share capital of Holy Eagle Company Limited and Yu Qi Company Limited, which together owns the entire issued share capital of Yu Kuo, a Controlling Shareholder of the Company. Accordingly, Tianrui Finance is a connected person of the Company within the meaning of the Listing Rules and the transactions contemplated under the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the Deposit Services under the 2022 Deposit Services Agreement exceeds 5% but is less than 25% as defined by the Listing Rules, the Deposit Services constitute (i) discloseable transaction of the Company subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules; and (ii) connected transaction of the Company subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Credit Services to be provided by Tianrui Finance to the Company under the 2022 Financial Services Agreement will constitute financial assistance to be provided by a connected person for the benefit of the Company. As such services are on normal commercial terms which are similar to or even more favourable than those offered by other commercial banks for comparable services in the PRC, and no security over the assets of the Company will be granted in respect of the Credit Services, the Credit Services are exempt under Rule 14A.90 of the Listing Rules from all reporting, announcement and Independent Shareholders' approval requirements.

As the applicable percentage ratios of the total fees payable by the Company to Tianrui Finance in respect of the Settlement Services under the 2022 Financial Services Agreement will fall within the de minimis threshold as stipulated under Rule 14A.76 of the Listing Rules, the Settlement Services will be fully exempt from the reporting, announcement, annual review, and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Company will also disclose the relevant details of the 2022 Deposit Services Agreement and the 2022 Financial Services Agreement in its next published annual report and accounts in accordance with the relevant requirements as set out in Rule 14A.49 of the Listing Rules.

GENERAL

The EGM will be held for the Independent Shareholders to consider and approve the 2022 Deposit Services Agreement. Yu Kuo (an indirect wholly-owned subsidiary of Tianrui Group Company) shall abstain from voting at EGM.

An Independent Board Committee comprising all the independent non-executive Directors has been established to advise the Independent Shareholders in relation to the 2022 Deposit Services Agreement and the related proposed annual caps. SBI China Capital Hong Kong Securities Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders of the same.

A circular containing, among other matters, (i) further information on the Deposit Services contemplated under the 2022 Deposit Services Agreement; (ii) a letter from the Independent Financial Adviser; (iii) a letter from the Independent Board Committee; and (iv) the notice convening the EGM and a form of proxy will be despatched to the Shareholders after the publication of this announcement on or before 15 December 2022, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

DEFINITIONS

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

“2019 Deposit Services Agreement”	the deposit services agreement dated 8 November 2019 entered into between Tianrui Finance and Tianrui Cement
“2019 Financial Services Agreement”	the financial services agreement dated 8 November 2019 entered into between Tianrui Finance and Tianrui Group Company
“2022 Deposit Services Agreement”	the deposit services agreement dated 4 November 2022 entered into between Tianrui Finance and Tianrui Cement
“2022 Financial Services Agreement”	the financial services agreement dated 4 November 2022 entered into between Tianrui Finance and Tianrui Group Company

“associates”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBRC”	China Banking Regulatory Commission (中國銀行業監督管理委員會)
“Cement Group”	Tianrui Cement and its subsidiaries
“Company”	China Tianrui Group Cement Company Limited (中國天瑞集團水泥有限公司), a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Stock Exchange
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Controlling Shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Credit Services”	the provision of credit services by Tianrui Finance to member(s) of the Cement Group, including but not limited to loans, bill acceptance, discounted bills, and other forms of capital financing pursuant to the terms and provisions set out in the 2022 Financial Services Agreement
“Deposit Services”	<i>inter alia</i> , demand deposit, saving deposit, notice deposit and agreed deposit services proposed to be provided by Tianrui Finance to member(s) of the Cement Group pursuant to the terms and provisions set out in the 2022 Deposit Services Agreement
“Director(s)”	the director(s) of the Company
“Effective Date”	1 January 2023 or the date of the Independent Shareholders’ approval of the 2022 Deposit Services Agreement, whichever is the later
“EGM”	the extraordinary general meeting of the Company to be convened for, among other matters, approving the 2022 Deposit Services Agreement and the related proposed annual caps
“Group”	the Company and its subsidiaries from time to time

“Independent Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, namely Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang, established to advise the Independent Shareholders in respect of the terms of the 2022 Deposit Services Agreement and the related proposed annual caps and the transactions contemplated thereunder
“Independent Financial Adviser”	SBI China Capital Hong Kong Securities Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the SFO, being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in connection with the 2022 Deposit Services Agreement and the related proposed annual caps
“Independent Shareholders”	Shareholders other than Yu Kuo and those who are required under the Listing Rules to abstain from voting on the resolution to be proposed at the EGM to approve the 2022 Deposit Services Agreement and the related proposed annual caps
“Independent Third Party(ies)”	party(ies) which is/are independent of and not connected with any of our Directors, chief executives, substantial shareholders or any of our subsidiaries or any of their associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange
“Mr. Li”	Li Liufa (李留法), a non-executive director and a Controlling Shareholder of the Company
“Mrs. Li”	Mrs. Li Fengluan, the spouse of Mr. Li
“PBOC”	the People’s Bank of China, the central bank of the PRC with the statutory authority to, <i>inter alia</i> , control monetary policy in the PRC
“PRC”	the People’s Republic of China which, for the purposes of this announcement, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC

“Settlement Services”	the free cash clearance and settlement services provided by Tianrui Finance to member(s) of the Cement Group pursuant to the terms and provisions set out in the 2022 Financial Services Agreement
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Shareholder(s)”	the holder(s) of the Shares
“Share(s)”	ordinary share(s) of US\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiaries”	has the meaning ascribed to it under the Listing Rules
“Tianrui Cement”	Tianrui Cement Group Company Limited (天瑞水泥集團有限公司), a Company established in the PRC with limited liability and a wholly-owned subsidiary of the Company
“Tianrui Foundry”	Tianrui Group Foundry Company Limited (天瑞集團鑄造有限公司), a company established in the PRC with limited liability and a subsidiary of Tianrui Group Company
“Tianrui Finance”	Tianrui Group Finance Company Limited (天瑞集團財務有限責任公司), a company established in the PRC with limited liability, owned as to 46.25% by Tianrui Group Company, as to 25.5% by Tianrui Cement, as to 23% by Tianrui Travel and as to 5.25% by Tianrui Foundry
“Tianrui Group Company”	Tianrui Group Company Limited (天瑞集團股份有限公司), a company established in the PRC with limited liability, owned as to 70% by Mr. Li and 30% by Mrs. Li
“Tianrui Travel”	Tianrui Travel Group Company Limited (天瑞旅遊集團股份有限公司), formerly known as Tianrui Group Travel Development Company Limited (天瑞集團旅遊發展有限公司), a company established in the PRC with limited liability and a subsidiary of 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 a Controlling Shareholder of the Company holding 69.58% of the issued share capital of the Company and the issued share capital of which is indirectly owned as to 70% by Mr. Li and as to 30% by Mrs. Li

“%” per cent

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

By Order of the Board
China Tianrui Group Cement Company Limited
Li Xuanyu
Chairman

Ruzhou City, Henan Province, PRC, 4 November 2022

As at the date of this announcement, the Board consists of executive Directors, Mr. Li Xuanyu (Chairman), Ms. Li Fengluan, Mr. Ding Jifeng, Mr. Xu Wuxue and Mr. Li Jiangming; non-executive Director, Mr. Li Liufa, and independent non-executive Directors, Mr. Kong Xiangzhong, Mr. Wang Ping and Mr. Du Xiaotang.