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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)

SUPPLEMENTAL ANNOUNCEMENT IN RELATION TO TOP-UP PLACING OF EXISTING SHARES AND SUBSCRIPTION FOR NEW SHARES UNDER GENERAL MANDATE

Placing Agent
CNI Securities Group Limited

中国北方证券集团
CNI SECURITIES GROUP

Reference is made to the announcement of China Tianrui Group Cement Company Limited (the "**Company**", together with its subsidiaries, the "**Group**") dated 24 December 2024 (the "**Announcement**") in relation to the top-up placing of existing Shares and subscription for new Shares under General Mandate. Unless otherwise defined, capitalised terms used herein have the same meanings as defined in the Announcement.

UPDATES IN RELATION TO THE PLACING OF EXISTING SHARES

As at the date of this announcement, all of the Placing Shares, i.e. 145,000,000 Shares in aggregate, have been placed to not less than six independent placees at the Placing Price of HK$0.33 per Share.

NET AND GROSS PROCEEDS FROM THE SUBSCRIPTION AND NET PRICE OF EACH SUBSCRIPTION SHARE

As the Placing Shares have been placed in full, the number of the Subscription Shares will also be 145,000,000 Shares. Accordingly, the gross proceeds from the Subscription will be approximately HK$47.9 million, and the net proceeds from the Subscription will be approximately HK$47.0 million, net of related costs, professional fees and out-of-pocket expenses. The net price per Subscription Share will be approximately HK$0.324.

FURTHER INFORMATION ON THE USE OF PROCEEDS

The Group has funding needs to settle/repay Hong Kong loans and interest due within one year. In particular, Hong Kong loans and interest due by the end of January 2025 amounted to approximately HK$124.5 million. This amount mainly consists of (i) a loan in the principal amount of approximately HK$107.5 million from a bank (the "**Bank**") due by the end of January 2025 (the "**Bank Loan**"); (ii) interest of the Bank Loan in the aggregate amount of approximately HK$2.57 million (the "**Bank Loan Interest**"); and (iii) the interest of another two tranches of loans in the aggregate amount of approximately HK$14.44 million (the "**Other Loan Interests**").

The Company is in the course of negotiating with the Bank regarding the renewal of part of the Bank Loan and, subject to negotiation and final agreement, the Company plans to repay portion of the principal of the Bank Loan and renew the remaining balance of the Bank Loan (as further elaborated below). The Company was first granted loan facilities of approximately HK$156 million by the Bank in December 2018 for a period of one year. According to the Company's previous experience, before the maturity date each year, the Company and the Bank would discuss and negotiate the terms of loan renewal in either the form of extension or granting of new loan and subject to the negotiation and the internal approval of the Bank, the Company had managed to renew the Bank Loan each year with different terms and there was adjustment (including both increment and decrease) in the principal amount each year. The principal amount of the Bank Loan has been reduced since 2023. It was reduced to approximately HK$107.5 million in January 2024. Considering the long-standing relationship with the Bank and our previous experience, the Company is confident that it will be able to renew substantial part of the Bank Loan. Hence, the Company has not requested for the renewal of the Bank Loan earlier.

In the attempt to resolve the abovementioned funding needs, during the period from July 2024 to November 2024, the Company has conducted discussions/ negotiations with three potential lenders (which are an asset management company ("**Potential Lender A**"), a private investment company ("**Potential Lender B**") and a bank ("**Potential Lender C**"), respectively) for potential financing. However, in view of, amongst other things, the lack of substantial assets of the Group in Hong Kong as security, the Company and the relevant lenders were unable to reach an agreement to provide financing to the Group. Set out below are the brief details of the discussions/ negotiations between the said three potential lenders and the Company:

Potential Lender	**Time**	**Event**
Potential Lender A	July 2024	The Company has been discussing with the lender regarding potential new financing arrangement since July 2024. On 22 July 2024, the representatives of the lender visited Zhengzhou, Henan Province, and met with several Directors of the Company, including Mr. Li Jiangming (executive Director), Ms. Li Fengluan (executive Director) and Mr. Li Liufa (non-executive Director). The Company understands that since the Group was unable to provide offshore security to the satisfaction of the lender, no consensus was then reached.
	August to October 2024	During this period, the representatives of the lender and the management of the Company, including Mr. Li Jiangming, Ms. Li Fengluan and Mr. Li Liufa, met and negotiated with each other several times. Representatives of the lender also visited the Group's factories and operational headquarters in the PRC several times. The management of the Company, Mr. Li Jiangming and Mr. Li Liufa also visited the lender's office in Hong Kong several times to negotiate and discuss about potential financing plans, however no substantive progress was achieved.
	Early November 2024	Mr. Li Jiangming and Mr. Li Liufa met with the representatives from the lender at its Hong Kong office. According to the discussion, the lender required the controlling shareholder of the Group to (i) provide certain mining assets in the PRC as security and (ii) provide guarantee. Whether the relevant assets of the controlling shareholder would be accepted as security would be subject to valuation by the lender. Further, to the

		understanding of the Group, this financing arrangement may require approval from the relevant PRC authority for foreign exchange, subject to further legal advice.
	Mid-November 2024	The representatives of the lender went to Xinjiang and conducted a week-long due diligence on the assets held by the controlling shareholder of the Company, and visited a potential buyer which has expressed interest to acquire the mining business. As at the date of this announcement, so far as the Company is aware, the lender is still in the course of conducting valuation on the relevant assets, and no concrete plan for the financing has been formed by the lender, and no agreement has been reached between the lender and the Company.
Potential Lender B	Late October 2024	Mr. Li Jiangming met and discussed with the representative of the lender several times, hoping that the lender could provide financing to the Group, including in the form of issuance of notes or convertible bonds.
	Late November 2024	Mr. Li Jiangming and representative of the lender met twice to discuss possible financing plans and amounts, but the Company understands that because the Group was unable to provide security and risk management measures to the satisfaction of the lender, no financing agreement was reached.
Potential Lender C	July 2024	Mr. Li Jiangming contacted the lender to ask if the latter could provide financing to the Group.
	August 2024	Mr. Li Jiangming and the representatives of the lender discussed the possibility of providing financing to Group.
	October 2024	The Company understands that because the Group currently cannot provide recognized offshore collateral as security and that it is impossible for the lender to provide the Group with credit loans without security, the parties could not reach an agreement. The Group did not continue further discussion with the lender thereafter.

The Company did not consider the disposal of the Group assets in the PRC as a commercially viable and timely option to resolve the said funding needs, primarily because transfer of the onshore proceeds from the disposal to offshore would require approval from the relevant PRC authority for foreign exchange, and may subject to uncertainties and may not be cost effective (as will be further elaborated below).

Although the Group has approximately RMB 600 million cash, deposit and bank balances as at 30 June 2024, substantially all of this cash, deposit and bank balances are onshore cash, deposit and bank balance in RMB, and only approximately HK$675,000, USD145,000 and RMB71,000 were offshore cash, deposit and bank balance. Outbound transfer of the onshore funds to settle the abovementioned portion of the Bank Loan, Bank Loan Interest and Other Loan Interests offshore would require approval from the relevant PRC authority for foreign exchange, and may subject to uncertainties and may not be cost effective.

It is commonly known that the remittance and reallocation of funds from the PRC subsidiaries to the Hong Kong or overseas holding companies is subject to the PRC foreign exchange control measures. To the best of the Directors' knowledge, information, and belief, having made all reasonable enquiries, there are limited scenarios that permit the transfer of funds from the PRC subsidiaries to the Company, such as (a) the fund transfer is for the purposes of foreign investments or for business and trading activities; or (b) dividend declaration by PRC entity to its foreign enterprise investor. The Directors consider that the former two scenarios in (a) are not applicable to the Group. The Company has consulted its PRC legal advisers and understands that the foreign investments or the business and trading activities of a PRC company (which is a separate legal entity from the overseas parent company) does not include assisting the overseas parent company in repaying its loan. Further, for scenario (b), the declaration of dividends by the Group's PRC subsidiaries to the Company for the repayment of Hong Kong loans and interest and general working capital is commercially unsound as the Company is expected to incur considerable time, monetary costs and with uncertainty. In particular: –

(1) all applications for foreign exchange, are subject to a lengthy approval process at qualified banks, which the State Administration of Foreign Exchange of the PRC and its local branches will supervise indirectly; and

(2) dividend payable to foreign enterprise investors are subject to a 10% withholding tax.

Obtaining approval for foreign exchange may involve a lengthy process and subject to great degree of uncertainties. Hence, having considered (i) the unpredictable timeline and the high cost of obtaining such foreign exchange approval (if it will be granted), (ii) the imminent funding needs to settle the Bank Loan and interest due by the end of January 2025 and (iii) existing cash of the PRC subsidiaries preferred to be retained for its PRC business operation and development, the Directors consider that the Placing and Subscription is a commercially viable and timely option compared to the reallocation of funds from the Group's PRC subsidiaries to the Company.

For the abovementioned reasons, the Group did not consider other alternative to resolve the current offshore funding needs save as disclosed above.

The Group considers the current Placing and Subscription to be an appropriate option considering the current circumstances.

As disclosed in the Announcement, the net proceeds from the Subscription is intended to be applied as to (i) approximately HK$42.2 million, equivalent to approximately 89.79% of the net proceeds from the Subscription, for repayment of a portion of the Group's debt; and (ii) approximately HK$4.8 million, equivalent to approximately 10.21% of the net proceeds from the Subscription, as general working capital of the Group which shall be applied on, among other things, staff cost, professional fees, and other operation expenses of the Group.

Set out below are further details of the expected application of the abovementioned net proceeds:

(i) approximately HK$ 42.2 million of the net proceeds allocated for repayment of portion of the Group's debt is expected to be utilized as follows:

(a) settle the Bank Loan Interest in the amount of approximately HK$2.57 million. Amongst which, approximately HK$1.8 million was paid already through an interest free bridging loan from a third party in late December 2024 and such bridging loan will be repaid accordingly;

(b) settle the Other Loan Interests in the amount of approximately HK$14.44 million; and

(c) partial repayment of the principal amount of the Bank Loan in the amount of approximately HK$21.6 million (but actual amount to be finalized and agreed with the Bank), subject to the negotiation and final agreement with the Bank.

In the event that the final repayment amount to the Bank is less than HK$25.19 million, the remaining balance will be used to settle future interest payment of the abovementioned loans.

(ii) approximately HK$4.8 million of the net proceeds allocated for general working capital is expected to be utilised as follows:

(a) payment of ongoing costs in Hong Kong, including office rental and salary, of approximately HK$ 1.4 million; and

(b) payment of the fees of various services providers of the Group, including, a credit rating agency, our legal advisors, a public relation advisor, an ESG consultancy firm and a printer, of approximately HK$3.4 million.

Further, since the Company has no substantial assets outside the PRC, it is difficult for the Company to obtain banking facilities/credit outside the PRC in a short period of time, for the repayment of abovementioned debts and expenses.

Notwithstanding the above, since the Group has substantial assets in the PRC, the Company considers that the Group is able to obtain sufficient banking facilities/ credit to support its liquidity and has accordingly raised funds significantly through PRC borrowings. As disclosed in the 2024 interim results announcement dated 29 November 2024, the Group's borrowings and bonds (including corporate bonds) of the Group amounted to approximately RMB15,397.6 million as at 30 June 2024, which represents more than 300 times of the proposed fund raising amount through the Placing and Subscription.

Placing Price

The Placing Price of HK$0.33 was decided after discussion with the Placing Agent and by reference to the current market price, taking into account (i) the current market condition and the prevailing market price, (ii) the attractiveness of the placing price to the potential placee(s) and (iii) the funding needs of the Company (as detailed above).

The Placing Price of HK$0.33 per Share represents (i) a discount of approximately 4.35% to the closing price per Share of HK$0.345 as quoted on the Stock Exchange on 24 December 2024, being the date of the Agreement; and (ii) a discount of approximately 12.47% to the average closing price per Share of approximately HK$0.377 as quoted on the Stock Exchange for the last five trading days immediately prior to and excluding the date of the Agreement.

Save for the supplemental information in this announcement, all other information contained in the Announcement remains unchanged.

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

Hong Kong, 6 January 2025

As at the date of this announcement, the Board consists of Chairman and Executive Director, Mr. Li Xuanyu; Executive Directors, 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. Mak Tin Sang and Mr. Du Xiaotang.