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CHINA SHANSHUI CEMENT GROUP LIMITED

中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 691)

US\$500,000,000 7.5% SENIOR NOTES DUE 2020

(Stock code: 5880)

ANNOUNCEMENT IN RELATION TO LETTER TO SHAREHOLDERS

Reference is made to the announcement of China Shanshui Cement Group Limited (the “**Company**”, and together with its subsidiaries, the “**Group**”) dated 7 February 2018 relating to, among others, the legal actions against and update on the illegal actions with regards to Mi Jingtian and his associates.

The Company has been closely monitoring update on the illegal actions in relation to Mi Jingtian and his associates according to law. In respect of the Letter to Shareholders published on 7 February 2018, the Company has since received a few enquiries and would like to further elaborate that the Company on 29 December 2017 held a meeting with its auditor to discuss on issues identified in the preliminary audit of the financial statements for 2017. Subsequent to the meeting, the Company published the Letter to Shareholders to inform them of the latest development and some key findings obtained by the Company up to the point on the illegal actions with regards to Mi Jingtian and his associates. The Company will continue to try its best to gain support from Jinan Municipal Government to reinstate all necessarily control on all its subsidiaries of the Group, so as to protect the legitimate rights and interests of all shareholders and noteholders. The full text of the Letter to Shareholders dated 7 February 2018 is set out below:

LETTER TO SHAREHOLDERS OF CHINA SHANSHUI CEMENT GROUP LIMITED

KPMG, auditor of China Shanshui Cement Group Limited (“**the Company**”) made a report to the Audit Committee of the Board of the Company on major issues identified in preliminary audit of the financial statements for 2017, which mentioned many circumstances of Mi Jingtian embezzling assets of the enterprise. The Company hereby sends the letter and reports as follows:

- (1) The coal purchase price of Shandong Shanshui in 2017 exceeds the market selling prices in Shenmu and Fugu in Shaanxi (all coal in Shandong and Shanxi comes from Shenmu in Yulin and Fugu) by an unreasonably large amount;
- (2) In 2017, without approval of the Company, Mi Jingtian awarded bonuses to certain senior executives and planned to award other bonuses in addition to the aforesaid bonuses. The amounts of bonuses are huge, and the arrangement is abnormal;
- (3) Mi Jingtian instructed Shandong Shanshui and its subsidiaries to outsource the selling operations and enter into an agreement for outsourcing the selling operations, for the purpose of outsourcing all selling operations of Shandong Shanshui. Selling operations already outsourced cover Zibo Lianhe Cement Enterprise Management Co., Ltd. (淄博聯和水泥企業管理有限公司), Zibo Banyang Limestone Enterprise Management Co., Ltd. (淄博般陽石灰石企業管理有限公司) in the western area of Shandong, Shandong Cement Industry Association (山東省水泥行業協會), Liaoning Chifeng Taiying Cement Management Co., Ltd. (赤峰泰盈水泥經營有限公司), Ulanhot Jixing Cement Management Co., Ltd. and Liaoning Yunding Cement Group Co., Ltd. (遼寧雲鼎水泥集團股份有限公司). Mi Jingtian declared that all selling operations would be outsourced in 2018. Selling operation is vital for an enterprise. Outsourcing all selling operations is putting an enterprise in a hopeless situation;
- (4) Mi Jingtian instructed Shandong Shanshui and its subsidiaries to withdraw a large sum of cash in January 2018, totally without regard to normal payment by all subsidiaries of salaries in the production suspension period and cash requirement for business operation, and to enter into a great number of settlement agreements with defaulting bondholders, which obviously damage the enterprise benefits, and to repay a large amount of money prematurely, leading to current serious imbalance in cash flow of Shandong Shanshui and its subsidiaries;
- (5) Mi Jingtian instructed Shandong Shanshui to refuse payment of the audit fee for 2017 to KPMG, auditor of the Company, with an attempt to delay the audit of the Company;
- (6) Mi Jingtian instructed subordinates to halt several cement production lines of Shandong Shanshui and planned to sell them, totally without regard to the rights and interests of shareholders;
- (7) Mi Jingtian instructed subordinates to equip the gate of Shandong Shanshui with police tear gas sprayers and arrange for companies to hand in their official seals, which were finally delivered to Zhao Yucai, member of the group office; and
- (8) Mi Jingtian violates national laws, infringes rights and interests of shareholders of Shandong Shanshui. He even participated in the activity of the “Top 10 Influential Person in the Cement Industry in 2017”, and released misleading data to domestic media once again during the period. He violates inside information provisions of the Securities and Futures Ordinance of Hong Kong. Moreover, he produces confusing market information. However, the Shanshui Working Team of Jinan Municipal Government has a particularly ambiguous attitude towards the illegal acts of Mi Jingtian. The Company is using different channels to further understand the circumstance, and will notify all shareholders in a timely manner.

The Board of Directors of the Company has always acted in the best interests of all shareholders of the Company and actively promoted a compromise among substantial shareholders of the Company and achievement of the target of maintaining operation and listing status of the Company and Shandong Shanshui. The Board of Directors of the Company is willing to fully cooperate with the Shanshui Working Team of Jinan Municipal Government in solving the problems of Shandong Shanshui and the Company through a package solution. It is hoped that all shareholders could actively support the Company in procuring the Shanshui Working Team of Jinan Municipal Government to dislodge Mi Jingtian and his associates as soon as possible, so as to protect legitimate rights and interests of all shareholders and creditors. (Email: ir@csc-grp.com; fax: 852-25257998)

By Order of the Board
China Shanshui Cement Group Limited
LIU Yiu Keung, Stephen
Chairman

Hong Kong, 13 March 2018

As at the date hereof, the board of directors of the Company comprises 4 executive directors, namely LIU Yiu Keung, Stephen (YEN Ching Wai, David as his alternate), LI Zhiqiang, LI Heping and HWA Guo Wai, Godwin and 5 independent non-executive directors, namely HO Man Kay, Angela, LAW Pui Cheung, WONG Chi Keung, CHING Siu Ming and LO Chung Hing.