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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your licensed securities dealer, registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Shanshui Cement Group Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the bank, licensed security dealer or registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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This circular is for information purposes only and is being provided to you solely for the purposes of considering the resolutions to be voted upon at the Adjourned AGM and the EGM to be held on 30 October 2018. This circular does not constitute an offer to issue or sell, or the solicitation of an offer to acquire, purchase or subscribe for securities referred to in this circular.



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)

PROPOSED RESUMPTION PLAN

COMPRISING

- (1) ADOPTION OF AUDITED ACCOUNTS AND REPORTS
FOR THE YEAR ENDED 31 DECEMBER 2017 AND**
- (2) GRANT OF A SPECIFIC MANDATE TO ISSUE NEW SHARES
AND**
- NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND
AN EXTRAORDINARY GENERAL MEETING**
-

A notice convening the Adjourned AGM of China Shanshui Cement Group Limited to be held at 8 a.m. at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Tuesday, 30 October 2018 and the EGM at 10 a.m. after the Adjourned AGM at the same venue on 30 October 2018 is set out on pages 36 to 39 of this circular.

Whether or not you are able to attend the meetings in person, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible and in any event not less than 48 hours before the time appointed for holding the Adjourned AGM (i.e. no later than 8 a.m. on 28 October 2018), EGM (i.e. no later than 10 a.m. on 28 October 2018) or any adjourned meeting thereof. Please note that 27 October 2018 and 28 October 2018 are not working days in Hong Kong and the office of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of proxy forms. To be effective, all proxy forms must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.

Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meetings or at any adjournment (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked. References to time and dates in this circular are to Hong Kong time and dates.

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DEFINITIONS

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

“2017 Audited Accounts”	the audited accounts of the Group for the year ended 31 December 2017 (published on 7 October 2018), which have been reviewed by the audit committee of the Company
“2017 Audited Accounts and Reports”	the 2017 Audited Accounts and the Directors’ and auditors’ reports in relation to the 2017 Audited Accounts (published on 7 October 2018) to be considered and, if thought fit, approved at the Adjourned AGM
“2020 Notes”	the US\$500,000,000 7.5% senior notes due 2020 issued by the Company and listed on the Stock Exchange (Stock Code: 5880)
“Accounts Issues”	the audit issues concerning the 2015 and 2016 annual results of the Company
“Adjourned Annual General Meeting” or “Adjourned AGM”	the adjourned annual general meeting of the Company to be reconvened and held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Tuesday, 30 October 2018 to consider and, if though fit, to, among others, approve the 2017 Audited Accounts and Reports
“AGM”	the annual general meeting of the Company held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Friday, 31 August 2018
“Articles”	the amended and restated memorandum and articles of association of the Company adopted on 16 May 2014
“August Convertible Bonds”	the convertible bonds issued by the Company on 8 August 2018 in the aggregate principal amount of US\$210,900,000, the principal terms and conditions of which are set out in the announcements of the Company dated 6 August 2018 and 8 August 2018
“Board”	the board of Directors

DEFINITIONS

“Business Day”	a day, other than Saturdays, Sundays or public holidays or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on which banks generally are open for business in Hong Kong
“CB Holders”	holders of the Convertible Bonds
“CB Terms and Conditions”	the principal terms and conditions of each of the Convertible Bonds (other than the general mandate provision), which are set out in the announcements of the Company dated 6 and 8 August 2018 relating to the August Convertible Bonds and the announcements of the Company dated 30 August 2018 and 3 September 2018 in relation to the September Convertible Bonds
“Company”	China Shanshui Cement Group Limited (中國山水水泥集團有限公司), an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange
“Conversion Agreements”	deeds of amendment entered into between the Company and CB Holders dated 6 October 2018 regarding the early conversion of certain Convertible Bonds into New Shares, as announced by the Company on 7 October 2018
“Convertible Bonds”	the August Convertible Bonds and the September Convertible Bonds
“Director(s)”	the director(s) of the Company
“Early Conversion”	the early conversion of Convertible Bonds under the Conversion Agreements
“EGM”	the extraordinary general meeting of the Company to be convened and held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC after the Adjourned AGM on 30 October 2018 to consider and, if though fit, to approve the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the committee consisting of independent non-executive Directors
“IFA Letter”	the letter from the IFA as set out on pages 20 to 35 of this circular
“Independent Financial Adviser” or “IFA”	Anglo Chinese Corporate Finance, Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, engaged to act as the independent financial adviser to the Independent Board Committee and the Shareholders
“Last Trading Day”	15 April 2015 being the day immediately prior to the trading suspension of the Shares at 9:00 a.m. on 16 April 2015
“Latest Practicable Date”	5 October 2018, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Issue”	subject to fulfilment of certain conditions stated in this circular, the proposed allotment and issue of the New Shares pursuant to the terms of the Conversion Agreements and the Subscription Agreements
“New Shares”	974,825,988 new Shares proposed to be allotted and issued upon the exercise of the Specific Mandate in relation to the New Issue (including the Convertible Bonds to be converted into New Shares under the Conversion Agreements)
“PRC”	the People’s Republic of China
“Public Float Issue”	the Company’s continuing failure, since 2015, to meet the minimum public float requirement of 25% as required under the Listing Rules
“Remaining CB Conversion”	subject to (a) the CB Terms and Conditions and (b) the approval of the Specific Mandate, the allotment and issue of 93,004,771 new Shares at a price of HK\$6.29 per Share upon conversion of the Convertible Bonds not converted pursuant to the Conversion Agreements

DEFINITIONS

“September Convertible Bonds”	the convertible bonds issued by the Company on 3 September 2018 in the aggregate principal amount of US\$320,700,000, the principal terms and conditions of which are set out in the announcements of the Company dated 30 August 2018 and 3 September 2018
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Shandong Shanshui”	Shanshui Cement Group Company Limited
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Specific Mandate”	the proposed specific mandate to be granted at the EGM to the Board to complete (a) the proposed New Issue and (b) the Remaining CB Conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	CB Holders and the new investors of the Company who subscribed for New Shares under the New Issue
“Subscription Agreements”	the agreements entered into between the Company and certain new investors dated 6 October 2018 regarding the subscription for New Shares, as announced by the Company on 7 October 2018
“Substantial Shareholders”	the substantial Shareholders of the Company as of the Last Practicable Date, namely: Tianrui Group Company Limited, China Shanshui Investment Company Limited, Asia Cement Corporation and China National Building Material Company Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. CHANG Zhangli (*Chairman*)

Ms. WU Ling-ling

Independent Non-executive Directors:

Mr. CHANG Ming-cheng

Mr. LI Jianwei

Mr. HSU You-yuan

Registered Office:

P.O. Box 10008

Willow House, Cricket Square

Grand Cayman KY1-1001

Cayman Islands

Principal Place of Business in Hong Kong:

Room 2609, 26/F, Tower 2, Lippo Centre

89 Queensway, Admiralty

Hong Kong

To the Shareholders

7 October 2018

Dear Sir/Madam,

PROPOSED RESUMPTION PLAN

COMPRISING

(1) ADOPTION OF AUDITED ACCOUNTS AND REPORTS

FOR THE YEAR ENDED 31 DECEMBER 2017 AND

(2) GRANT OF A SPECIFIC MANDATE TO ISSUE NEW SHARES

AND

NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND

AN EXTRAORDINARY GENERAL MEETING

LETTER FROM THE BOARD

1. INTRODUCTION

Since 16 April 2015, trading in the Company's listed securities has been suspended. On 27 October 2017, the Listing Department of the Stock Exchange indicated its intention to commence procedures to cancel the listing of the Company, notably as a result of:

- (a) audit issues concerning the 2015 and 2016 annual results of the Company (the "**Accounts Issues**"); and
- (b) the Company's continuing failure, since 2015, to meet the minimum public float requirement of 25% as required under the Listing Rules (the "**Public Float Issue**").

On 17 May 2018, the Listing Committee of the Stock Exchange upheld the Listing Department's decision, but extended the deadline for the Company to address its concerns to 31 October 2018.

On 19 September 2018, the Company received a response from the Listing Department to the Company's submission to the Listing (Review) Committee dated 8 August 2018, in which the Listing Department recommended the Listing (Review) Committee to uphold the Listing Committee's decision to commence procedures to cancel the Company's listing and require the Company to take remedial actions by 31 October 2018.

The purpose of this circular is to give you details of the Company's proposed resumption plan comprising: (a) the proposed adoption of the audited accounts and reports of the Group for the year ended 31 December 2017 (the "**2017 Audited Accounts and Reports**") with a view to addressing the Accounts Issues; and (b) the proposed grant of a specific mandate to (i) issue new shares with a view to addressing the Public Float Issue and (ii) issue new shares upon conversion of the Convertible Bonds not converted pursuant to the Conversion Agreements. Accordingly, we set out below:

- (a) information reasonably necessary to enable you to consider and, if thought fit, approve:
 - (i) the 2017 Audited Accounts and Reports at the Adjourned AGM; and
 - (ii) the Specific Mandate at the EGM; and
- (b) notice convening the Adjourned AGM and the EGM.

LETTER FROM THE BOARD

2. RESUMPTION OF CONTROL OVER SHANDONG SHANSHUI

Since the establishment of a new Board on 23 May 2018, the Board has proactively undertaken steps to normalise the business activities of the Group. The new Board has engaged in constructive discussions with the previous management of Shandong Shanshui, the major onshore subsidiary of the Company, with regards to the future management and operation of the Group. As a result of such discussions, the new Board ended the illegal occupation at the headquarters of Shandong Shanshui and took control of all the operations of Shandong Shanshui and its subsidiaries in July 2018. Mr Chang Zhangli and Ms Wu Ling-ling, both of whom are executive directors of the Company, were elected as directors of Shandong Shanshui, alongside Mr Wang Mingbo, with effect from 26 July 2018.

Enhanced internal controls and authorisation and management procedures have also been put in place and the articles of association of Shandong Shanshui have been amended and filed with the Jinan Administration for Industry and Commerce. In addition, the old company seal of Shandong Shanshui was decommissioned on 6 August 2018, and the new company seal was activated on the same day; these steps were filed with the Public Security Bureau of Jinan province. Notice of change in legal representative and notice of change in members of the board of directors of Shandong Shanshui were also registered with the Jinan Administration for Industry and Commerce on 30 August 2018, and Shandong Shanshui obtained a renewed business licence on the same day. These matters were announced by the Company on 27 July 2018 and 7 September 2018 and further details are set out in those announcements. The AGM on 31 August 2018 was also successfully held at the premises of Shandong Shanshui.

3. ADOPTION OF AUDITED ACCOUNTS AND REPORTS FOR THE YEAR ENDED 31 DECEMBER 2017

The new Board published the Company's unaudited management accounts for year 2017 (as announced by the Company on 26 June 2018) and for the first half of 2018 (as announced by the Company on 2 August 2018).

On 10 August 2018 the Company appointed Moore Stephens CPA Limited as the Company's new auditors following the resignation of KPMG. The Company has worked closely with Moore Stephens CPA Limited to address the Accounts Issues and finalise the 2017 Audited Accounts and Reports.

LETTER FROM THE BOARD

Moore Stephens CPA Limited has completed its audit of the Company's financial statements for year 2017 and fully addressed the matters in the disclaimed audit opinion of the Company's external auditors in relation to the 2015 and 2016 annual reports of the Company. A copy of the 2017 Audited Accounts and Reports has been published on 7 October 2018 and may be viewed and downloaded from the Company's website (www.sdsunnsygroup.com) and the Stock Exchange's website (www.hkexnews.hk).

An ordinary resolution (the full text of which is set out in the notice of the Adjourned AGM) is to be proposed to the Shareholders at the Adjourned AGM to consider and approve the 2017 Audited Accounts and Reports.

4. ADDRESSING THE ACCOUNTS ISSUES

A. Audit qualifications in the 2017 Audited Accounts and Reports

The Company considers that it has fully addressed all the audit issues to the best of its ability, because continuity of information has been maintained, audit procedures have been followed through and full disclosures have been made to Moore Stephens CPA Limited. Critically, continuity is maintained as the key operating management team members have remained largely the same, notwithstanding changes at the Board level. Specifically, Shandong Shanshui's Head of Finance has held that role since the beginning of 2017, and has been in the Group's finance team for over three decades. The table below lists the qualifications in the 2017 Audited Accounts and Reports, the Company's position in relation to each of these qualifications, and the impact on financial statements for the financial year 2018.

Audit qualifications	Company's position in addressing the audit qualifications in the 2017 Audited Accounts and Reports	Impact on the financial statements for the financial year 2018
(a) Opening balance impact due to 31 December 2016 closing balance	The issues relate to brought-forward effects in the consolidated financial statements.	There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.

LETTER FROM THE BOARD

Audit qualifications	Company's position in addressing the audit qualifications in the 2017 Audited Accounts and Reports	Impact on the financial statements for the financial year 2018
(b) Scope limitation on the impairment assessment of the Group's fixed assets	<p>The issue arose due to insufficient audit evidence to verify the reasonableness of the assumptions leading to the impairment loss recognised for the fixed assets made in the financial year 2016.</p> <p>The Company has endeavored to provide fulsome information (where available) with regards to the financial statements for the financial year 2017, to Moore Stephens CPA Limited.</p> <p>Furthermore, the audit procedures with regards to the financial year 2017 have been completed with regards to the impairment assessment of the Group's fixed assets.</p>	<p>There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.</p>
(c) Unauthorised expenses for Shandong Shanshui	<p>The 'Accrued Bonus' has been recognised as an expense for year 2016 and recorded as settled during the year ended 31 December 2017. The issue arose due to insufficient audit evidence to verify the bonus accrued made in the financial year 2016 and subsequently paid out in 2017. The issues relate to brought-forward effects in the consolidated financial statements.</p>	<p>The 'Accrued Bonus' relates to the disputes between former directors of the Company and the former management of Shandong Shanshui. Such Accrued Bonus has been paid in 2017 and ratified by the Board. It was an one-off event and is not related to the Group's internal control.</p> <p>There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.</p>

LETTER FROM THE BOARD

Audit qualifications	Company's position in addressing the audit qualifications in the 2017 Audited Accounts and Reports	Impact on the financial statements for the financial year 2018
(d) Certain expenses	The issue occurred in financial year 2015 and relates to the disputes between the former directors of the Company before December 2015 and the subsequent board of the Company (who is no longer serving the Company). As such, there will be no impact to the financial statements for the financial year 2017. However, it will be qualified as 2016 financials would be used for comparative purposes.	The issue occurred in financial year 2015 and relates to the disputes between the former directors of the Company before December 2015 and the subsequent board of the Company (who is no longer serving the Company). It was an one-off event and is not related to the Group's internal control. There will be no impact to the financial statements for the financial year 2017. However, it will be qualified as 2016 financials would be used for comparative purposes.
(e) Scope limitation on the impairment assessment of the Group's interests in associates	In the preparations of the financial statements for the financial year 2017, the Company had not obtained the financial information on certain of its associates. Hence, its position of fully impairing the value of its interests in these associates in the financial year 2016 was upheld in the financial year 2017.	The Company is in the process of resolving this issue and will provide financial information to Moore Stephens CPA Limited. It is the Company's view that the potential impact to the financial statements for the financial year 2018, if any, will be limited.
(f) Scope limitation on the impairment assessment of the investments in Shanshui Micro Finance, Xinghao Cement and Rushan Shanshui	In the preparations of the financial statements for the financial year 2017, the Company had not obtained the financial information on certain of its associates. Hence, its position of fully impairing the value of these investments in the financial year 2016 was upheld in the financial year 2017.	The Company is in the process of resolving this issue and will provide financial information to Moore Stephens CPA Limited. It is the Company's view that the potential impact to the financial statements for the financial year 2018, if any, will be limited.

LETTER FROM THE BOARD

B. Access to the accounting books and records of Shandong Shanshui

In the case of the Company's annual results/report for the two years ended 31 December 2015 and 2016, the Company's auditors disclaimed their opinion because of their inability to obtain written representations from the Company's former Board that the Company's accounting records had been properly maintained throughout the two years ended 31 December 2015 and 2016. The explanation given by the previous Board was that the Board was unable to obtain access to the accounting books and records of Shandong Shanshui due to an illegal occupation of the company by the former board of Shandong Shanshui. As a result, the previous Board was unable to confirm if the accounting books and records had been properly maintained for the financial year 2016.

Whilst the current Board members were only appointed on 23 May 2018, as disclosed in the Company's announcements dated 27 July 2018 and 7 September 2018 and within the circular, the Company has regained control of Shandong Shanshui through the establishment of a new board of Shandong Shanshui, and therefore, among others, has access to the accounting books and records of Shandong Shanshui. The current Board has identified relevant key personnel in the management team of Shandong Shanshui who were responsible for the financial books and records of the company in previous years.

Based on discussions with these key personnel, the Board believes that the accounting books and records of the Group, including those of Shandong Shanshui and its subsidiaries, have been properly maintained for the year ended 31 December 2017. Based on the Board's assessment, except for the limitations stated in paragraphs (e) and (f) of the "Basis for Qualified Opinion on the consolidated Statement of Financial Position" section of the 2017 Audited Accounts and Reports, the Board believes that there is now sufficient information for the Company to prepare the consolidated financial statements.

LETTER FROM THE BOARD

5. PROPOSED SPECIFIC MANDATE

A. The New Issue

Given the 31 October 2018 deadline imposed by the Stock Exchange to address the Public Float Issue, the Company proposes to obtain from the Shareholders the Specific Mandate in relation to the New Issue, which shall be exercised on the following terms:

Size of issuance: The Company proposes to allot and issue 974,825,988 new Shares, representing:

- (a) approximately 28.85% of the total existing issued Shares at the Latest Practicable Date; and
- (b) approximately 22.39% of the enlarged issued Shares upon completion of the proposed allotment and issuance of the New Shares.

Price: The price for the New Shares will be HK\$4.20 per New Share, which represents a discount of approximately 33.23% to the closing price of HK\$6.29 per Share as quoted on the Stock Exchange on the Last Trading Day.

The price for the New Shares was arrived at after arm's length negotiations between the Company and the Subscribers with reference to, among others, the fair market price of the Shares.

The Company arrived at a price range for the initial negotiations with CB Holders wishing to convert their Convertible Bonds to New Shares based on a trading analysis of comparative companies using the selection criteria of EV/EBITDA and P/E multiples. In subsequent discussions with the Subscribers, the Company referred to the implied share price upon exercising earlier the conversion right under the Convertible Bonds earlier versus at HK\$6.29 per New Share from 19th month following the issue date of the Convertible Bonds, and thereafter agreed to a further small adjustment in favor of the Subscribers to persuade the CB Holders to accept an early conversion. The value dilutive effect of the proposed New Share issuance is 7.4%.

LETTER FROM THE BOARD

Consideration: Cash consideration for Subscribers other than CB Holders that participate in the New Issue. Non-cash consideration for CB Holders that participate in the New Issue – such Subscribers are to cancel all or a proportion of their Convertible Bonds in return for being allotted and issued New Shares.

Subscribers: Not less than six Subscribers comprising CB Holders and other new investors (all of whom are and, to the extent applicable, whose ultimate beneficial owners are independent investors not connected with the connected persons (as defined under the Listing Rules) of the Company or any of its subsidiaries).

CB Holders who are Subscribers have entered into Conversion Agreements with the Company and have agreed, at the option of the Company, to convert their Convertible Bonds early at the conversion price of HK\$4.20 per New Share. The Conversion Agreements have been negotiated on arm's length basis between the parties.

The New Shares are being allotted and issued to not less than six Subscribers. It is expected that none of the Subscribers will become a substantial shareholder of the Company as a result of the New Issue.

Ranking: The New Shares, when fully paid, will rank pari passu in all respects with the existing issued Shares, including the right to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the New Shares.

The Subscribers will not have any put option or similar arrangement against the Company or any of the Substantial Shareholders in relation to the New Shares.

Completion and conditions precedent: Completion of the New Issue is to take place on a date notified by the Company to the Subscribers within 14 days after the date on which the last conditions precedent is satisfied and no later than 31 March 2019.

The New Issue is subject to the fulfillment of the conditions precedent set out below:

- (a) the approval of the Specific Mandate by ordinary resolution at the EGM; and

LETTER FROM THE BOARD

- (b) the Stock Exchange granting approval of the New Issue and the listing of, and permission to deal in, the New Shares issued on the Stock Exchange.

The Company understands that condition (b) will not occur unless and until the Company has demonstrated its fulfilment of all the resumption conditions, namely approval of the 2017 Audited Accounts and Reports and restoration of public float, and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules) to the Stock Exchange's satisfaction.

B. Accrued interest and amendment compensation

Pursuant to the Conversion Agreements, the Company and CB Holders have agreed to the early conversion of US\$456,600,000 in principal amount out of the total US\$531,600,000 of the total outstanding principal amount of their Convertible Bonds into New Shares at the option of the Company at the price of HK\$4.20 per New Share.

In connection with such conversion, and in addition to an implied discount to the conversion price, the Company agrees to pay the CB Holders who convert their Convertible Bonds a compensation equal to the aggregate of:

- (a) an amount equal to any unpaid interest, accrued, or that would have accrued in respect of the Convertible Bonds subject to Early Conversion; and
- (b) an amount equal to 1 per cent. of the principal amount outstanding of the Convertible Bonds subject to Early Conversion.

Pursuant to the terms of the Conversion Agreements, the Company has the right to, at its own discretion, pay such compensation either (a) wholly in cash or (b) in lieu of cash, by issuing New Shares to such CB Holders. The Company intends to pay such compensation by issuing New Shares to the relevant CB Holders.

LETTER FROM THE BOARD

C. Remaining CB Conversion

The Company proposes to obtain from the Shareholders the Specific Mandate in relation to the Remaining CB Conversion, which is to be on the existing CB Terms and Conditions (including, but not limited to, the conversion price of HK\$6.29 per Share), except that the new Shares are to be allotted and issued under the Specific Mandate rather than the general mandate granted to the Directors at the last annual general meeting of the Company held on 2 June 2017.

Under the CB Terms and Conditions, each of the CB Holders agrees not to convert their Convertible Bonds if such conversion will result in the Company being in breach of the minimum public float requirement under the Listing Rules. The Company also will not convert any of the Convertible Bonds if such conversion will result in the Company being in breach of the minimum public float requirement under the Listing Rules.

D. Share issuance period

The Company has the right to complete the New Issue under the Conversion Agreements and the Subscription Agreements until 23:59 p.m. on 31 March 2019. For the Remaining CB Conversion, the conversion period will expire immediately after 23:59 p.m. on 8 August 2021.

E. Total number of shares to be issued under the Specific Mandate

Set out below is a table which illustrates the total number of Shares to be issued under the Specific Mandate:

	Number of Shares to be issued
Conversion Agreements	888,980,352
Subscription Agreements	85,845,636
Remaining CB Conversion (<i>Note</i>)	<u>93,004,771</u>
Total Shares	<u><u>1,067,830,759</u></u>

Note: The number has been rounded up after summation of shares to be issued to each CB Holder in the Conversion Agreements and Remaining CB Conversion.

LETTER FROM THE BOARD

F. Board resolution

The Board resolved on 6 October 2018 to convene the EGM after the Adjourned AGM for the grant of the Specific Mandate.

6. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

The IFA has issued an opinion letter in relation to the New Issue and Remaining CB Conversion, which is set out in the IFA Letter. Based on the principal factors and reasons as set out in the IFA Letter, the IFA is of the view that:

- (a) in relation to the New Issue: (i) the terms (including, but not limited to, the price of HK\$4.20 per New Share) are fair and reasonable and on normal commercial terms; and (ii) are in the interests of the Company and its Shareholders as a whole; and
- (b) in relation to the conversion price of HK\$6.29 per new Share for the Remaining CB Conversion: (i) the price is fair and reasonable and on normal commercial terms; and (ii) it is in the interests of the Company and its Shareholders as a whole.

Accordingly, the IFA Letter advises the Independent Board Committee to recommend to the Shareholders to vote in favour of, and also advises the Shareholders to vote in favour of, the ordinary resolution to be proposed at the EGM to approve the Specific Mandate.

7. USE OF PROCEEDS

The gross cash proceeds from the New Issue are expected to be HK\$360.6 million and the net cash proceeds from the New Issue are expected to be approximately HK\$360.4 million (after deduction of commission and other expenses of the New Issue). Approximately 95% of such net cash proceeds will be used primarily to redeem the 2020 Notes (which, as at the Last Practicable Date, represented an outstanding amount of US\$435.8 million, which includes accrued and unpaid interest up to the date of the Circular less the amount already repurchased under the tender offer relating to the 2020 Notes and overpaid interest of US\$9.0 million), and any balance will be used (a) to repay debt owed by the Group and/or (b) as working capital. **None of the net cash proceeds from the New Issue will be used to repay debt owed by the Company to its connected persons or their associates.**

The Company has already received the proceeds from the Convertible Bonds and does not intend to change the use of such proceeds as set out below in section 11 of this circular.

LETTER FROM THE BOARD

8. PROPOSED RESOLUTION OF THE PUBLIC FLOAT ISSUE

Completion of the New Issue would address the Public Float Issue. After completion of the New Issue, the New Shares will represent approximately 22.39% of the enlarged issued Shares and together with the Shares held by the existing public shareholders of the Company will represent no less than 25% of the enlarged issued Shares.

Set out below is a table which illustrates: (a) the existing shareholding structure of the Company; and (b) the shareholding structure of the Company immediately after the issue of all the New Shares and after the Remaining CB Conversion:

	As at the Latest Practicable Date		Immediately upon completion of the issuance of the New Shares		Immediately after the issue of the New Shares and after the Remaining CB Conversion	
	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>
Tianrui Group Company Limited	951,462,000	28.16	951,462,000	21.85	951,462,000	21.40
China Shanshui Investment Company Limited	847,908,316	25.09	847,908,316	19.47	847,908,316	19.07
Asia Cement Corporation (Note)	902,914,315	26.72	902,914,315	20.74	902,914,315	20.30
China National Building Material Company Limited	563,190,040	16.67	563,190,040	12.94	563,190,040	12.66
Subscribers	–	–	974,825,988	22.39	1,067,830,759	24.01
Other public Shareholders	113,665,569	3.36	113,665,569	2.61	113,665,569	2.56
Total	3,379,140,240	100.00	4,353,966,228	100.00	4,446,970,999	100.00

Note: 4.22% of the interests as at the Latest Practicable Date (3.28% upon completion of the issuance of the New Shares and 3.21% upon completion of the issuance of the New Shares and after the Remaining CB Conversion) are held through agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO.

Pursuant to the Conversion Agreements and the CB Terms and Conditions, Convertible Bonds will be converted into the New Shares at the Conversion Price at an exchange rate of US\$1.00 = HK\$7.80.

LETTER FROM THE BOARD

9. UPDATE ON OTHER EFFORTS TO RESTORE THE PUBLIC FLOAT

The Board has written to all the Substantial Shareholders asking for their agreement to a pro-rata sell down of their Shares in order to restore the public float of the Company. As at the date of this circular, the Company has not reached a definitive agreement with the Substantial Shareholders to sell down their Shares.

10. WINDING-UP PETITIONS

We refer to the Company's announcements of 4 September 2018 and 20 September 2018. As noted in those announcements, on 30 August 2018, a petition seeking to wind-up the Company (the "**Cayman Petition**") was presented by Tianrui (International) Holding Company Limited ("**Tianrui**") before the Grand Court of the Cayman Islands (the "**Cayman Proceedings**"). On 31 August 2018, the Company received a petition (the "**Hong Kong Petition**", together with an unsealed copy of the Cayman Petition, the "**Petitions**") dated 31 August 2018 filed by Tianrui against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Proceedings**"). The Hong Kong Petition was presented to commence an ancillary liquidation in Hong Kong.

Tianrui filed a further application on 6 September 2018, in the Cayman Proceedings, for the appointment of joint provisional liquidators ("**JPLs**") over the Company. The grounds for the application for appointment of JPLs appear to be substantially the same as those in the Cayman Petition, save that Tianrui also joins issue with the issue of the September Convertible Bonds.

Having consulted with its legal advisers, the Company believes that there is no reasonable legal basis for: (a) the Petitions; and (b) the application for the appointment of JPLs. The Company believes the Petitions are an abuse of process and, accordingly, has made applications for these to be struck out. Similarly, having consulted with its legal advisers, the Company believes that the application for the appointment of JPLs is without merit and the Company will vigorously resist this application.

The Company has also applied for validation orders in both the Cayman Proceedings and Hong Kong Proceedings to allow the Company to make payments in the ordinary course of business.

Tianrui's application for the appointment of JPLs and the Company's application to strike out the petition in the Cayman Proceedings, as well as for a validation order, will be heard substantively in the Grand Court of the Cayman Islands on 10 and 11 October 2018. The Company's application to strike out the petition in the Hong Kong Proceedings, as well as for an ancillary validation order, will be the subject of a hearing on 11 October 2018.

LETTER FROM THE BOARD

Having consulted with its legal advisers, the Company believes that even if the Petitions are not dismissed at the hearings on 10 and 11 October 2018, under both Hong Kong law and the laws of Cayman Islands, the Petitions do not prevent or invalidate the issuance of New Shares or the Remaining CB Conversion.

The Company will make further announcement(s) to keep the Shareholders and potential investors informed of any significant development in relation to the Petitions as and when appropriate.

11. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has carried out the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

Date of announcement	Event	Approximate net proceeds	Intended use of proceeds	Actual use of proceeds as at the Latest Practicable Date
8 August 2018	Issue of the August Convertible Bonds under general mandate	Approximately US\$210.7 million	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the August Convertible Bonds, (ii) partial redemption of the 2020 Notes and (iii) general corporate use.	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the August Convertible Bonds, (ii) partial redemption of the 2020 Notes and (iii) general corporate use.
3 September 2018	Issue of the September Convertible Bonds under general mandate	Approximately US\$320.5 million	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the September Convertible Bonds, (ii) repayment of debt, and (iii) general corporate use.	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the September Convertible Bonds, (ii) repayment of debt, and (iii) general corporate use.

Save as disclosed above, the Company has not carried out any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.

LETTER FROM THE BOARD

12. APPLICATION FOR LISTING

The Company understands that the Stock Exchange will not grant any listing approval sought by the Company unless and until the Company has demonstrated its fulfilment of all the resumption conditions, namely approval of the 2017 Audited Accounts and Reports and restoration of public float, and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules) to the Stock Exchange's satisfaction.

Completion of the New Issue is subject to the satisfaction of the conditions precedent set out above in paragraph A of section 5 of this circular.

If the Specific Mandate is not approved by the Shareholders at the EGM, the Company will not be able to restore its public float by 31 October 2018. If the Company fails to restore its public float and meet all the resumption of trading conditions to the Stock Exchange's satisfaction by 31 October 2018, the Stock Exchange may cancel the listing of the Company.

Shareholders and potential investors should exercise caution when dealing in the Shares or other securities of the Company.

The Company undertakes that as soon as possible after it has demonstrated to the Stock Exchange's satisfaction its fulfilment of the resumption conditions and compliance with the Listing Rules, it will make an application to the Listing Committee of the Stock Exchange for approval to the listing of, and permission to deal in, the New Shares on the Stock Exchange.

Based on the Company's discussions with the Stock Exchange, the Company expects to receive such listing approval upon completion of the New Issue. Completion of the New Issue would address the Public Float Issue.

LETTER FROM THE BOARD

13. RE-ELECTION OF RETIRING DIRECTOR

Pursuant to Article 16.2 of the Articles, the Board shall have the power from time to time and at any time to appoint any person as a Director either to fill a casual vacancy or as an addition to the Board. Any Director so appointed to fill a casual vacancy shall hold office only until the next following general meeting of the Company and shall then be subject to re-election at that meeting. Any Director so appointed as an addition to the Board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Mr. HSU You-yuan was appointed to the Board to fill the vacancy left by the resignation of Mr. LIN Shei-yuan that was announced by the Company on 20 July 2018. In accordance with Article 16.2 of the Articles, Mr. HSU You-yuan shall retire from office at the EGM. Mr. HSU You-yuan, being eligible, will offer himself for re-election at the EGM.

Details of Mr. HSU You-yuan are set out in Appendix I to this circular.

14. ADJOURNED ANNUAL GENERAL MEETING, EGM AND PROXY ARRANGEMENT

A notice convening the Adjourned AGM and the EGM is set out on pages 36 to 39 of this circular. The Adjourned AGM will be held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC at 8 a.m. on Tuesday, 30 October 2018. The EGM will be held at the same venue at 10 a.m. after the Adjourned AGM.

To the best of the knowledge, information and belief of the Directors and having made all reasonable enquiries, none of the Shareholders have a material interest in the matters proposed to be approved at the Adjourned AGM and the EGM. Accordingly, no Shareholders will be required to abstain from voting on the resolutions proposed to be adopted at the Adjourned AGM and the EGM.

Any vote in respect of the resolutions to be put forward for consideration at the Adjourned AGM and the EGM will be taken by poll in accordance with Rule 13.39(4) of the Listing Rules.

LETTER FROM THE BOARD

A form of proxy for use at the Adjourned AGM and the EGM is enclosed. Whether or not you are able to attend Adjourned AGM or the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the Adjourned AGM (i.e. no later than 8 a.m. on 28 October 2018), EGM (i.e. no later than 10 a.m. on 28 October 2018) or any adjourned meeting thereof (as the case may be). Please note that 27 October 2018 and 28 October 2018 are not working days in Hong Kong and the office of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of proxy forms. To be effective, all proxy forms must be lodged with Computershare Hong Kong Investor Services Limited before the deadline. Completion and return of the form of proxy will not preclude you from attending and voting in person at the Adjourned AGM, the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

15. CLOSURE OF THE REGISTER OF MEMBERS

The register of Shareholders will be closed from Thursday, 25 October 2018 to Tuesday, 30 October 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Adjourned AGM or the EGM, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 24 October 2018.

16. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

LETTER FROM THE BOARD

17. RECOMMENDATION

Failure to resolve the Accounts Issues and Public Float Issue is likely to result in the Stock Exchange delisting the Company, which would have a severe detrimental effect on the value and liquidity of the Shareholders respective shareholdings. Cancellation of listing would also have an adverse impact on the Company's business and operations – it would cut off the Company's access to funding from the capital markets, may cause the Company reputational damage and could affect the Company's goodwill with its various stakeholders. Furthermore, if the shares of the Company are not publicly traded, options for the restructuring of the Company's existing debt will be significantly reduced.

The Directors believe that the approval of the 2017 Audited Accounts and Reports is in the best interests of the Company and the Shareholders as a whole. Furthermore, the Directors believe, having considered, amongst other things, the advice set out in the IFA Letter, that the approval of the Specific Mandate is in the best interests of the Company and the Shareholders as a whole as, in particular, completion of the New Issue will resolve the Public Float Issue.

Accordingly, the Directors recommend you to vote in favour of the relevant resolutions to be proposed at the Adjourned AGM and the EGM.

By Order of the Board
China Shanshui Cement Group Limited
CHANG Zhangli
Chairman

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

ANGLOCHINESE

CORPORATE FINANCE, LIMITED
www.anglochinesegroup.com

40th Floor, Two Exchange Square, 8 Connaught Place, Central, Hong Kong

The Independent Board Committee and the Shareholders of
China Shanshui Cement Group Limited

7 October 2018

Dear Sirs,

**NEW ISSUE INVOLVING PROPOSALS TO ACCELERATE THE CONVERSION OF
SUBSTANTIALLY ALL THE OUTSTANDING CONVERTIBLE BONDS
AT AN AMENDED CONVERSION PRICE AND
THE SPECIFIC MANDATE TO ISSUE NEW SHARES**

1. INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Shareholders in relation to the New Issue, which is subject to the terms and conditions of the Conversion Agreements and the Subscription Agreements. Under the New Issue, if approved and completed, the Company will issue 974,825,988 New Shares representing 22.39% of the enlarged share capital of the Company. Under the Conversion Agreements, the Company will have the right to convert Convertible Bonds held by existing CB Holders to New Shares at an amended price of HK\$4.20 per Share (the “New Issue Price”). The Company plans to exercise its conversion right with respect to the Convertible Bonds in the principal amount of US\$456,600,000 giving rise to 888,980,352 New Shares on conversion, leaving US\$75,000,000 outstanding. Under the Subscription Agreements, 85,845,636 New Shares will be issued at the New Issue Price to independent placees. The New Issue under the Conversion Agreements and the Subscription Agreements are conditional on, among other things, the approval of Shareholders.

As the Independent Financial Adviser, we are required to: (i) state whether the terms of the New Issue under the Conversions Agreements and Subscription Agreements and the conversion price of the Remaining CB Conversion are fair and reasonable and in the interests of the Company and its Shareholders as a whole and on normal commercial terms and (ii) advise whether the Shareholders should vote in favour of the ordinary resolution to be proposed at the EGM to approve the New Issue under the Specific Mandate.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The terms used in this letter shall have the same meaning as defined in the circular of the Company dated 7 October 2018 (the “**Circular**”), of which this letter forms part, unless the context requires otherwise.

In formulating our recommendation, we have relied on the information and facts supplied, and the opinions expressed, by the Company. We have also assumed that the information and representations contained or referred to in this letter were true and accurate at the time they were made and continued to be so at the date of this letter. We have also discussed with the management of the Company, amongst other things, the Company’s prospect and the background to and reasons for the New Issue. We have sought and obtained confirmation from the Company that no material facts have been omitted from the information provided to us. We consider that we have reviewed sufficient information to reach an informed view, to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our opinion and advice. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the Company. We have not, however, conducted an independent investigation into the business and affairs of the Group nor have we carried out any independent verification of the information supplied.

Apart from professional fees for our services to the Company in connection with the engagement described above, no arrangement exists whereby we will receive any fees or benefits from the Company, its subsidiaries, directors, chief executive, substantial shareholders or any associate of any of them in relation to our present engagement to advise the Independent Board Committee and the Shareholders.

2. PRINCIPAL FACTORS AND REASONS CONSIDERED FOR THE NEW ISSUE

In arriving at our opinion and recommendation in relation to the New Issue, we have taken into account the following principal factors:

A. Background

The Company was listed on the Stock Exchange in 2008 but since 16 April 2015 its Shares have been suspended from trading due to the percentage of the issued share capital of the Company held by the public being below 25% in breach of the requirement of Rule 8.08 of the Listing Rules. At the time of the suspension of trading in the Shares the Company announced that only 9.18% of the issued share capital was held by the public. Since suspension of trading in the Shares the annual results for the two years ended 31 December 2015 and 2016 which were published in April 2016 and 2017 respectively contained disclaimer opinions by the Company’s auditors because the Company’s board had failed to provide written representation in respect of the Company’s accounting records being properly maintained throughout the two years ended 31 December 2015 and 2016.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As set out in the annual reports for 2015 and 2016, the failure to provide the required written representations arose for the following reasons:

- a) The Company's board, which had been newly formed in December 2015 could not ensure the accounting books and records of the Group were properly maintained for the financial year of 2015 because of the lack of proper hand-over procedures agreed between the Company's former board and the new board and the limited time between the formation of the new board and the publication of the 2015 annual results.
- b) As a result of the disputes between the board of the directors of the Company (as then constituted (the "Former Board")) and the former directors of Shandong Shanshui Cement Group Company Limited ("Shandong Shanshui"), the Company's principal subsidiary, the Former Board could not be certain of whether the accounting books and records of Shandong Shanshui and its subsidiaries have been properly maintained for the financial year 2016. In particular, the occupation by former senior management of Shandong Shanshui had prevented the Former Board from obtaining access to the accounting books and records of Shandong Shanshui and ensuring that these accounting books and records were properly maintained for the whole of the financial year 2016.

On 27 October 2017, the Company announced that the Listing Department of the Stock Exchange had notified the Company of its intention to commence procedures to cancel the listing of the Company under Rule 6.01(1) and/or (4) by issuing an announcement under Rule 6.10 to provide the Company further time until 30 June 2018 to restore the public float and resolve the matters rendering it unsuitable for listing, failing which the Stock Exchange will recommend the Listing Committee to proceed with the cancellation of the listing of the Shares.

On 6 November 2017, the Company sent a letter to the Stock Exchange objecting to the proposed cancellation of the listing of the Shares. By a letter dated 19 December 2017 the Stock Exchange informed the Company that it had considered the Company's objection letter and concluded that the Company had failed to demonstrate a reasonable prospect that it will within a reasonable period of time:

- (i) restore the minimum public float: and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (ii) address the audit matters concerning the lack of the Company's board's written representation regarding the proper maintenance of accounting records to its auditors, which is caused by the illegal occupation of the properties of Shandong Shanshui in Jinan City by Mi Jingtian and his associates.

In view of the above, the Stock Exchange stated it would implement the steps as set out in the announcement of 27 October above.

The decision of the Listing Department was the subject of a review by the Listing Committee which, other than extending the time for the Company to 31 October 2018 to restore the public float and resolve the matters rendering it unsuitable for listing, upheld the Listing Departments decision.

The Company has been taking steps to enforce its rights to exercise control of its principal operating subsidiary Shandong Shanshui, and the Independent Board Committee and the Shareholders are referred to the Company's announcements of 29 December 2017, 13 March 2018, 20 April 2018 and 17 May 2018 by way of further background and progress in this regard.

On 27 July 2018, the Company announced the election of executive directors and the appointment of a vice president of Shandong Shanshui and provided updates on the management of Shandong Shanshui, which included the approval by the board of Shandong Shanshui of a new internal control system and new authorisation and management procedures of Shandong Shanshui to stabilise the Group with a more effective corporate governance mechanism and provide a long-term and sustainable plan for the Group to move forward.

Also, the Company has written to all the Substantial Shareholders asking for their agreement to a pro-rata sell down of their Shares in order to restore the public float of the Company and resolve the Public Float Issue. As at the date of this letter, the Company has not reached a definitive agreement with the Substantial Shareholders to sell down their Shares. In the absence of such agreement the proposed New Issue will enable the Company to satisfy the public float requirements of the Listing Rules and the interests in the Company of all existing Shareholders will be diluted equally.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Convertible Bond Issues

On 6 August 2018, the Company announced the proposed issue of Convertible Bonds in the aggregate principal amount of US\$210,900,000 convertible into new Shares at a conversion price of HK\$6.29 per Share (at the fixed exchange rate of US\$1.00:HK\$7.80). The conversion price represents the minimum price permitted under the Listing Rules, being the last traded price of the Shares on 15 April 2015 since when the Shares have been suspended from trading. Given the events affecting the Company since that date (as well as the accumulated purchase of Shares by one of the Substantial Shareholders) that resulted in the HK\$6.29 trading price prior to suspension of trading) such price was considered by the subscribers as too high. To address this high strike price, the interest rate of 20% per annum was agreed through arm's length commercial negotiations between the parties. Under the terms of the Convertible Bonds, the Company has the right to convert into Shares the whole of the outstanding principal amount of the Convertible Bonds at the conversion price at any time during the period commencing from the 19th month following the date on which the Convertible Bonds were issued. Accrued interest will be payable up to the next anniversary date after which the Company has elected to exercise its right to convert the Convertible Bonds into Shares. Accordingly, on the basis that the Company exercises the conversion right on the commencement of the 19th month, interest of 30% on the principal amount (which represents the interest accrued from the date on which the Convertible Bonds were issued to the 19th month following such issue) will already have been paid or payable and additional interest of 10% (which represents the interest from the 19th month to the 24th month, which is the next anniversary date after which the Convertible Bonds are converted) would be payable by the Company under the terms of the Convertible Bonds. Taking into account an assumed time value of money of 7.5% (equivalent to the existing 2020 Notes) would imply that approximately 30% can be deducted from the conversion price, the resulting effective conversion price would be approximately HK\$4.42.

On 30 August 2018, the Company announced the proposed issue of Convertible Bonds in the principal amount of US\$320,700,000 convertible into new Shares at the same conversion price and on the same terms as the issue announced on 6 August 2018. Both issues of Convertible Bonds have been completed and have the same maturity date of 7 August 2021 and the Company may exercise its right to convert the Convertible Bonds into Shares on or after 8 February 2020.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Company proposed to use the net proceeds of the issue of the Convertible Bonds for, among other things, redemption of the 2020 Notes issued by the Company. The directors are of the view that issuing the Convertible Bonds will allow the Company to complete its tender offer to repurchase the 2020 Notes at 101% of par pursuant to its obligations under the indenture in a scenario whereby change of control of the Company had occurred, which is crucial for the Company to optimise its future operations (for update on the tender offer, please refer to the Company's announcement dated 20 September 2018). The net proceeds from the issue of Convertible Bonds amount approximately to US\$531.2 million and will be convertible into 659,217,801 Shares representing 16.33% of the issued share capital of the Company as enlarged by the conversion in full of the Convertible Bonds into Shares. Set out below is a table illustrating (i) the existing shareholding structure of the Company and (ii) the shareholding structure assuming full conversion of the Convertible Bonds into Shares:

Shareholder	At the Latest Practicable Date		On full conversion of the Convertible Bonds	
	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
Tianrui Group Company Limited	951,462,000	28.16	951,462,000	23.56
China Shanshui Investment Company Limited	847,908,316	25.09	847,908,316	21.00
Asia Cement Corporation (Note)	902,914,315	26.72	902,914,315	22.36
China National Building Material Company Limited	563,190,040	16.67	563,190,040	13.95
CB Holders	–	–	659,217,801	16.33
Existing public Shareholders	113,665,569	3.36	113,665,569	2.81
Total	3,379,140,240	100.00	4,038,358,041	100.00

Note: 4.22% (3.53% on full conversion of the Convertible Bonds) of the interests are held through agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Status of the audit of the Company's annual results

For update on the Accounts Issues and the status of the audit of the Company's 2017 annual results, please refer to the section headed "3. Adoption of audited accounts and reports for the year ended 31 December 2017" in the letter from the Board. As stated the resolution of the audit matters is also a requirement for the resumption of dealings in the Shares. Accordingly, if the audit matters are resolved, one of the two requirements laid down by the Stock Exchange for the resumption of trading in the Shares on the Stock Exchange would be satisfied.

B. The Conversion Agreements and Subscription Agreements

To meet the deadline set out by the Listing Committee to restore the Company's public float, the Company has entered into the Conversion Agreements and the Subscription Agreements in order to issue 974,825,988 new Shares representing 22.39% of the enlarged share capital of the Company. Under the Conversion Agreements, the Company will have the right to convert Convertible Bonds held by existing CB Holders to New Shares at the New Issue Price. The Company plans to exercise its conversion right with respect to the Convertible Bonds in the principal amount of US\$456,600,000 out of the total of US\$531,600,000. Under the Subscription Agreements, 85,845,636 New Shares will be issued at the New Issue Price to independent places.

The New Issue is conditional on the obtaining by the Company of both (i) the approval by the Stock Exchange for the listing of the New Shares after the resumption of trading in the Shares on the Stock Exchange and (ii) the approval by Shareholders of the New Issue under the Specific Mandate (the "Conditions"). Completion of the New Issue is to be on a date notified by the Company that is within 14 days after the date on which the last Condition is satisfied and no later than 31 March 2019.

New Issue Price

The New Issue Price under both the Conversion Agreements and Subscription Agreements is HK\$4.20, which is translated into US dollars at the fixed rate of HK\$7.80 = US\$1.00. The New Issue Price represents a 33.23% discount to the closing price of HK\$6.29 per Share as quoted on the Stock Exchange on the Last Trading Day. It has been arrived at following arms' length negotiation with (i) the CB Holders with the objective of accelerating the conversion of the Shares which under the current terms of the Convertible Bonds could only be required by the Company on or after 8 February 2020 and (ii) the Subscribers.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Set out below are comparative valuation statistics of an exhaustive list of comparable companies¹ to compare with the New Issue Price of HK\$4.20 per Share.

Name	Stock code	Reporting currency	Market Cap ⁽²⁾ (HK\$m)	Enterprise Value ⁽²⁾ (HK\$m)	Enterprise Value		Market Cap	
					LTM Revenue	LTM EBITDA	LTM Net profit	Latest Book value
Asia Cement China Holdings	743 HK	RMB	12,879.52	16,741.55	1.56x	4.49x	7.64x	1.06x
China Tianrui Group Cement Company Limited	1252 HK	RMB	20,185.99	30,786.14	3.02x	7.50x	16.66x	1.71x
China Resources Cement	1313 HK	HKD	62,078.32	67,939.74	1.93x	6.04x	10.34x	1.68x
West China Cement Ltd	2233 HK	RMB	7,772.24	10,337.07	1.73x	3.58x	5.98x	0.96x
China National Building Material	3323 HK	RMB	58,115.57	314,660.86	1.91x	8.50x	9.15x	0.76x
				<i>Average</i>	<i>2.03x</i>	<i>6.02x</i>	<i>9.95x</i>	<i>1.23x</i>
				<i>Median</i>	<i>1.91x</i>	<i>6.04x</i>	<i>9.15x</i>	<i>1.06x</i>
Implied value per Share based on the median multiples of comparable companies					<u>5.75</u>	<u>4.43</u>	<u>4.20</u>	<u>1.61</u>

Notes:

1. CNYHKD = 1.14
2. Based on closing price on 3 October 2018

Based on the above comparison, the current share price could be extrapolated as reaching a low of HK\$1.61 to a high of HK\$5.75. If a simple average of the share price is calculated from applying the four multiples of enterprise value/revenue; enterprise value/earnings before interest, tax, depreciation and amortisation; price to earnings multiple; and price to net assets attributable to shareholders, which are the commonly adopted valuation multiples, the price would be HK\$4.00. The New Issue Price would represent a premium of 5.0% to such average price. Excluding the latest book value multiple the average would imply a value of HK\$4.78 and the New Issue Price would represent a discount of 12.1%.

¹ The criteria for selection are companies (i) engaged in the manufacture and sale of cement in the PRC; (ii) currently listed on the Stock Exchange; (iii) have a market capitalisation of between HK\$10 billion and HK\$100 billion; and (iv) was profitable for the latest 12 months.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Although we cannot state with any certainty what would be the price of the Shares were trading not suspended we believe the proposed New Issue Price would on the above bases appear to be a fair and reasonable expectation of a price at which a placing in size could be effected. An issue of new shares which represents 28.9 % of the existing issued share capital of a Company would generally be regarded as large in relation to the current size of the Company requiring a material discount and the prevailing market price at the time.

Typically the issue of new shares by way of placing are conducted at a discount to the prevailing market price of the shares. We set out below a list of new issues of shares for cash (excluding consideration issues) under a specific mandate² announced in the last 12 months, which we consider to be comprehensive, showing the discount to the prevailing market price.

Date of announcement	Company Name	Stock code	Issue price (HK\$)	Premium/ (discount) of issue price over/(to) the closing price of the last trading day ⁽¹⁾ (%)	Premium/ (discount) of	Premium/ (discount) of
					issue price over/(to) the average closing price for the last five trading days ⁽¹⁾ (%)	issue price over/(to) the average closing price for the last ten trading days ⁽¹⁾ (%)
09-Sep-18	FDG Electric Vehicles Limited	729	0.09	-5.26	-5.26	-8.16
20-Aug-18	Ban Loong Holdings Limited	30	0.18	0.00	-1.10	-0.39
30-Jul-18	China Putian Food Holding Limited	1699	0.14	-27.08	-25.69	-24.97
24-Jul-18	Shougang Concord International Enterprises Company Limited	697	0.25	28.87	30.21	33.05
11-Jul-18	FDG Electric Vehicles Limited	729	0.06	-53.49	-51.14	-50.54

² Excluding:- 1. Share issuing upon the completion of which would trigger a general offer; 2. Issuing of H shares; 3. Issuing of shares of Investment Companies as defined under chapter 21 of the Listing Rules; and 4. subscription agreements in relation to the share issuing that have been terminated subsequently.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company Name	Stock code	Issue price (HK\$)	Premium/ (discount) of issue price over/(to) the closing price of the last trading day ⁽¹⁾ (%)	Premium/ (discount) of issue price over/(to) the average closing price for the last five trading days ⁽¹⁾ (%)	Premium/ (discount) of issue price over/(to) the average closing price for the last ten trading days ⁽¹⁾ (%)
06-Jul-18	Sinofortune Financial Holdings Limited	8123	0.06	5.26	3.81	3.27
03-Jul-18	CMBC Capital Holdings Limited	1141	0.363	-18.40	-19.50	-20.92
31-May-18	China Grand Pharmaceutical and Healthcare Holdings Limited	512	5.2	-15.39	-19.37	-18.07
24-May-18	China Grand Pharmaceutical and Healthcare Holdings Limited	512	5	-20.71	-19.92	-18.64
24-May-18	China Baofeng (International) Limited	3966	2.6	-13.33	-13.96	-18.44
17-Apr-18	Asia Resources Holdings Limited	899	0.25	201.20(3)	180.90(3)	176.85(3)
04-Apr-18	Ausnutria Dairy Corporation Ltd	1717	5.18	-20.67	-17.86	-15.53
19-Mar-18	China Traditional Chinese Medicine Holdings Co. Ltd	570	4.43	-19.89	-17.17	-12.42
15-Mar-18	U Banquet Group Holding Limited	1483	1.8	-11.33	-14.20	-14.37
06-Mar-18	China Ocean Fishing Holdings Limited	8047	0.45	-18.18	-20.77	-19.79

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company Name	Stock code	Issue price (HK\$)	Premium/ (discount) of issue price over/(to) the closing price of the last trading day ⁽¹⁾ (%)	Premium/ (discount) of issue price over/(to) the average closing price for the last five trading days ⁽¹⁾ (%)	Premium/ (discount) of issue price over/(to) the average closing price for the last ten trading days ⁽¹⁾ (%)
02-Mar-18	Frontier Services Group Limited	500	1.3	-35.00	-30.70	-28.14
24-Jan-18	Beijing Enterprises Water Group Limited	371	5.9	-5.75	-2.83	-2.35
10-Jan-18	New Sports Group Limited	299	0.5	-21.88	-27.11	-31.79
03-Jan-18	Huiyin Smart Community Co., Ltd	1280	0.5	-30.56	-29.58	-29.08
03-Jan-18	Hua Hong Semiconductor Limited	1347	12.9	-18.56	-20.29	-18.42
21-Dec-17	New Focus Auto Tech Holdings Limited	360	0.42	-38.24	-38.05	-33.86
13-Dec-17	IDG Energy Investment Group Limited	650	1	-27.01	-29.48	-29.43
06-Dec-17	Brokman Mining Limited	159	0.1	-18.70	-16.11	-14.31
30-Nov-17	Asia Energy Logistics Group Limited	351	0.1083	-26.82	-29.22	-30.80
29-Nov-17	AKM Industrial Company Limited	1639	1.5	-7.98	-7.29	-7.75
17-Nov-17	Alibaba Health Information Technology Limited	241	4	-4.31	-6.80	-5.12

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Date of announcement	Company Name	Stock code	Issue price (HK\$)	trading day ⁽¹⁾ (%)	Premium/ (discount) of	Premium/ (discount) of
					Premium/ (discount) of issue price over/(to) the closing price of the last trading day ⁽¹⁾ (%)	Premium/ (discount) of issue price over/(to) the average closing price for the last five trading days ⁽¹⁾ (%)
16-Nov-17	OP Financial Investments Limited	1140	2.1	-1.87	-3.58	-4.02
11-Oct-17	Pak Tak International Limited	2668	0.224	-45.37	-27.51	-24.32
		<i>Average</i>		-17.47	-17.06	-16.49
		<i>Median</i>		-18.56	-19.37	-18.42
		<i>Max</i>		28.87	30.21	33.05
		<i>Min</i>		-53.49	-51.14	-50.54
		Proposed New Issue	0.42	-33.23⁽²⁾	-32.06⁽²⁾	-28.80⁽²⁾

Note:

- (1) For the sake of consistency, we take the date of agreement as the last trading day
- (2) Closing price of HK\$6.29 on 15 April 2015 (the day before trading suspension of the Shares) was adopted
- (3) This is an outlier and is excluded in the calculation as the company's shares were trading below their par value at the time of the announcement

Taking into the considerations set out above and the events and matters outlined in the section headed "A. Background" in this letter, we consider that terms of the New Issue under the Conversions Agreements and Subscription Agreements, including (but not limited to) the New Issue Price at HK\$4.20 per Share, are fair and reasonable and have the additional benefit of addressing the long standing problem of the insufficiency of the public shareholding in the Company. Under the New Issue all existing shareholders will be diluted by the same percentage.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

CB Holders' compensation

In connection with the Conversion Agreements, the Company has agreed to pay the CB Holders who convert their Convertible Bonds a compensation equal to the aggregate of:

- (a) an amount equal to any unpaid interest, accrued, or that would have accrued until the later of (i) 31 October 2018; and (ii) the date of the early conversion under the Conversion Agreement in respect of the Convertible Bonds subject to such Conversion Agreement; and
- (b) an amount equal to one per cent. of the principal amount outstanding of the Convertible Bonds subject to the Conversion Agreement.

Such compensation will be paid by the Company at the Company's discretion either (i) wholly in cash or (ii) in lieu of cash by issuing New Shares to such CB Holders.

The accrued interest to be paid on the Convertible Bonds up to the date of conversion reflects the contractual liability of the Company under the terms on the Convertible Bonds and therefore is fair and reasonable. We also consider that the compensation in the form of one per cent of the principal amount is fair and reasonable as the CB Holders will be surrendering the future interest payments and the option value that they hold in the Convertible Bonds form. Furthermore, currently the Convertible Bonds rank pari passu with all the Company's unsecured and unsubordinated obligations. On conversion their interests in the Company will rank as share capital and will only be entitled to any distribution after all the Company's liabilities has been discharged in the event that the Company is put into liquidation.

Settlement of this compensation in the form of new Shares is to be at an issue price (in case New Shares are issued in lieu of cash) has for the reasons set out above been considered as reasonable.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

C. Changes in Shareholding Structure of the Company

The following table illustrates: (i) the existing shareholding structure of the Company, (ii) the shareholding structure immediately after the issue of all the New Shares, and (iii) the shareholding structure immediately after the issue of all the New Shares and after the Remaining CB Conversion:

	As at the Latest Practicable Date		Immediately upon completion of the issuance of the New Shares		Immediately after the issue of all the New Shares and after the Remaining CB Conversion	
	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>	<i>Number of Shares held</i>	<i>Approximate % of Shares in issue</i>
Tianrui Group Company Limited	951,462,000	28.16	951,462,000	21.85	951,462,000	21.40
China Shanshui Investment Company Limited	847,908,316	25.09	847,908,316	19.47	847,908,316	19.07
Asia Cement Corporation (<i>Note</i>)	902,914,315	26.72	902,914,315	20.74	902,914,315	20.30
China National Building Material Company Limited	563,190,040	16.67	563,190,040	12.94	563,190,040	12.66
Subscribers	–	–	974,825,988	22.39	1,067,830,759	24.01
Other Shareholders	113,665,569	3.36	113,665,569	2.61	113,665,569	2.56
Total	3,379,140,240	100.00	4,353,966,228	100.00	4,446,970,999	100.00

Note: 4.22% (3.28% upon completion of the issuance of the New Shares and 3.21% upon completion of the issuance of the New Shares and after the Remaining CB Conversion) of the interests are held through agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO.

Completion of the New Issue would address the Public Float Issue. After completion of the New Issue, the New Shares will represent approximately 22.39% of the enlarged issued Shares and together with the Shares held by the existing public shareholders of the Company will represent no less than 25% of the enlarged issued Shares.

As US\$75 million of the principal amount of the Convertible Bonds will not be converted into New Shares under the Conversion Agreements, the shareholding structure will further change upon Shares being allotted and issued upon completion of the Remaining CB Conversion.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The remaining outstanding Convertible Bonds will be subject to the existing conversion price of HK\$6.29 per Share at the same fixed US\$/HK\$ exchange rate as set out in the CB Terms and Conditions. As stated earlier in our letter this conversion price was the minimum price permissible under the Listing Rules representing the last traded price prior to the suspension of trading in the Shares. Based on the valuation multiples set out in this letter the existing conversion price represents a premium to each of the implied Share price values based median multiples of the comparable companies. Taking into account the interest payable on the possible conversion of Convertible Bonds by the Company on the 8 February 2020 and an assumed time value of money of 7.5% per annum (equivalent to the existing 2020 Notes) the resulting effective conversion price would be approximately HK\$4.42 compared with the average of the four median multiples of the comparable companies which would imply a value of HK\$4.00 per share, representing a premium of approximately 11%. On these bases and further taking into account the events outlined in the “A. Background” section of this letter we consider the current conversion price of HK\$6.29 to be fair and reasonable.

D. Reasons for, and Benefits of, the New Issue

Since 16 April 2015, trading in the Company’s listed securities has been suspended. On 27 October 2017, the Listing Department of the Stock Exchange indicated its intention to commence procedures to cancel the listing of the Company, notably as a result of the Accounts Issues and the Public Float Issue.

On 17 May 2018, the Listing Committee of the Stock Exchange upheld the Listing Department’s decision, but extended the deadline for the Company to address its concerns to 31 October 2018.

On 19 September 2018, the Company received a response from the Listing Department to the Company’s submission to the Listing (Review) Committee dated 8 August 2018, in which the Listing Department recommended the Listing (Review) Committee to uphold the Listing Committee’s decision to commence procedures to cancel the Company’s listing and require the Company to take remedial actions by 31 October 2018. The review hearing by the Listing (Review) Committee on the Listing Department’s decision to commence procedures to cancel the Company’s listing is currently rescheduled to 18 October 2018.

Completion of the New Issue would address the Public Float Issue. Please refer to the shareholding structure of the Company immediately after the issue of all the New Shares as set out in section 8 of the Circular.

In the event that resumption of trading in the Shares on the Stock Exchange is not approved by 31 March 2019, the Conversion Agreements will lapse and the existing terms of the Convertible Bonds will remain unaffected.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

If the resolution in relation to the Specific Mandate was not passed, the Company will fail to address the Public Float Issue. This would result in the Company being delisted, leaving the Shareholders with illiquid Shares which cannot be sold in the open market.

E. Use of Proceeds from the New Issue

The gross cash proceeds from the New Issue are expected to be HK\$360.6 million and the net cash proceeds from the New Issue are expected to be approximately HK\$360.4 million (after deduction of commission and other expenses of the New Issue). Approximately 95% of such net cash proceeds will be used primarily to redeem the 2020 Notes (which, as at the Last Practicable Date, represented an outstanding amount of US\$435.8 million, which includes accrued and unpaid interest up to the date of the Circular less the amount already repurchased under the tender offer relating to the 2020 Notes and overpaid interest of US\$9.0 million), and any balance will be used (a) to repay debt owed by the Group and/or (b) as working capital. None of the net cash proceeds from the New Issue will be used to repay debt owed by the Company to its connected persons or their associates.

The Company has already received the proceeds from the Convertible Bonds and does not intend to change the use of such proceeds as set out in section 11 of the Circular.

3. RECOMMENDATION

Taking into account the considerations and factors set out above and, in particular that the New Issue will address the public float matter which is required to be resolved before the Stock Exchange will approve resumption of dealings in the Shares, we are of the opinion that the terms of the New Issue under the Conversion Agreements and Subscription Agreements and the conversion price of the Remaining CB Conversion are fair and reasonable and on normal commercial terms. We also consider they are in the interests of the Company and its Shareholders as a whole. Accordingly, we advise the Independent Board Committee to recommend to the Shareholders to vote in favour of, and we also advise the Shareholders to vote in favour of, the ordinary resolution to be proposed at the EGM to approve the Specific Mandate.

Yours faithfully,

For and on behalf of

Anglo Chinese Corporate Finance, Limited

Dennis Cassidy

Director and Head of Corporate Finance

Mr. Dennis Cassidy is a licensed person registered with the Securities and Futures Commission and as a responsible officer of Anglo Chinese to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO. He has over 35 years of experience in corporate finance.

**NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND
EXTRAORDINARY GENERAL MEETING**



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)

**NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND
EXTRAORDINARY GENERAL MEETING**

Unless otherwise defined, terms used in this notice shall have the same meanings as those used in the circular of the Company dated 7 October 2018 (the “**Circular**”). The Shareholders and other potential investors should refer to the Circular for further details relating to the matters set out below.

NOTICE IS HEREBY GIVEN that an adjourned annual general meeting (the “**Adjourned AGM**”) of China Shanshui Cement Group Limited (the “**Company**”) will be held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Tuesday, 30 October 2018 at 8 a.m. for the purposes set out below.

To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

1. “**THAT** the 2017 Audited Accounts and Reports be and are received and adopted.”

NOTICE IS HEREBY GIVEN that an extraordinary general meeting (the “**EGM**”) of China Shanshui Cement Group Limited (the “**Company**”) will be held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Tuesday, 30 October 2018 at 10 a.m. after the Adjourned AGM for the purposes set out below.

NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND EXTRAORDINARY GENERAL MEETING

To consider and, if thought fit, pass with or without amendments, the following resolutions as ordinary resolutions:

1. “**THAT** there be and is granted to the Board a specific mandate, from the passing of this resolution until (i) 23:59 p.m. on 31 March 2019 for the New Issue and (ii) 23:59 p.m. on 8 August 2021 for the Remaining CB Conversion, to issue up to 1,067,830,759 new Shares under the Conversion Agreements (pursuant to which the conversion price of HK\$6.29 has been lowered to HK\$4.20), the Subscription Agreements and the CB Terms and Conditions (with respect to the Remaining CB Conversion) (the “**Share Issue**”), including (but not limited to) and to the extent applicable:
 - (a) executing and submitting all the relevant applications, reports and other documents to relevant overseas authorities and dealing with all the relevant approvals, registration, filing, sanction and permission;
 - (b) determining, subject to the framework terms of the Specific Mandate as set out in section 5 of the letter from the Board in the Circular: (i) the terms of the Share Issue (other from the actual size and issue price); (ii) the execution, implementation, modification and termination of any agreement, contract or other documents in relation to the exercise of the Specific Mandate or the Share Issue; (iii) adjustments to the use of proceeds of the Share Issue; and (iv) any other matter relevant to (i) to (iii);
 - (c) depending on the requirements at the time of the issuance, engaging and appointing overseas legal advisers and other relevant professional parties in relation to the Share Issue and entering into engagement or appointment letters and other relevant legal documents;
 - (d) dealing with all the matters in relation to obtaining all the approvals and permissions from the Stock Exchange and/or any other relevant overseas authorities in relation to the Share Issue;
 - (e) subject to the framework terms of the Specific Mandate as set out in section 5 of the letter from the Board in the Circular, making appropriate amendments to the terms of the Share Issue in light of the specific circumstances and pursuant to the approval(s) by the relevant regulatory authorities;
 - (f) executing, implementing, amending and completing any document and doing any act as necessary and appropriate in relation to the Share Issue;

**NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND
EXTRAORDINARY GENERAL MEETING**

- (g) approving the publication of relevant announcement(s), circular(s) and notice(s) in relation to the Specific Mandate or the Share Issue on the websites of the Stock Exchange and the Company, respectively, and the submission of relevant forms, files or other documents to the Stock Exchange; and
 - (h) obtaining from the Stock Exchange the approval for listing of and permission to deal in the new Shares to be allotted and issued pursuant to the Share Issue on the Main Board of the Stock Exchange.”
2. “**THAT** Mr. HSU You-yuan be and is re-elected as an independent non-executive director of the Company, and the board of directors of the Company be and are authorised to fix the remuneration of Mr. HSU You-yuan.”

By Order of the Board
China Shanshui Cement Group Limited
CHANG Zhangli
Chairman

Hong Kong, 7 October 2018

As at the date of this notice, the board of directors of the Company comprises two executive directors, namely, Mr. CHANG Zhangli and Ms. WU Ling-ling; and three independent non-executive directors, namely, Mr. CHANG Ming-cheng and Mr. LI Jianwei and Mr. HSU You-yuan.

Notes:

- (i) The register of Shareholders will be closed from Thursday, 25 October 2018 to Tuesday, 30 October 2018, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the Adjourned AGM and the EGM, all transfers, accompanied by the relevant share certificates, must be lodged for registration with the Company’s share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on 24 October 2018.
- (ii) A form of proxy for use at the Adjourned AGM and the EGM is enclosed herewith. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.

**NOTICE OF ADJOURNED ANNUAL GENERAL MEETING AND
EXTRAORDINARY GENERAL MEETING**

- (iii) Any shareholder entitled to attend and vote at the meetings is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
- (iv) In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed, or a notarially certified copy thereof, must be deposited at the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Limited at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the Adjourned AGM (i.e. no later than 8 a.m. on 28 October 2018), EGM (i.e. no later than 10 a.m. on 28 October 2018) or any adjournment thereof (as the case may be). Please note that 27 October 2018 and 28 October 2018 are not working days in Hong Kong and the office of Computershare Hong Kong Investor Services Limited will not be open on these days for physical delivery of proxy forms. To be effective, all proxy forms must be lodged with Computershare Hong Kong Investor Services Limited before the deadline.
- (v) Completion and return of the form of proxy will not preclude you from attending and voting in person at the meetings or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.
- (vi) Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
- (vii) References to time and dates in this notice are to Hong Kong time and dates.

APPENDIX I BIOGRAPHICAL DETAILS OF THE DIRECTOR SUBJECT TO RE-ELECTION

Information as required to be disclosed under the Listing Rules on the Director proposed to be re-elected at the EGM is set out as follows:

Mr. HSU You-yuan, aged 63, has been the chairman and president of DCH Solargiga GmbH since February 2018 and a non-executive director of Solargiga Energy Holdings Limited (Stock Code: 757) (“**Solargiga**”) since June 2016. He was the CEO of Solargiga from February 2007 to September 2015 and an executive director of Solargiga from February 2007 to June 2016. Mr. HSU You-yuan was the managing director of Wafer Works Corp. (“**WWX**”) from February 1998 to June 2003 and later became the vice-chairman of the board of WWX in June 2003. WWX is a manufacturer of silicon wafer for the semiconductor industry and is listed on the Gre Tai Securities Market in Taiwan with stock code 6182 since May 2002. He was the managing director of Silicon Technology Investment (Cayman) Corp. and was appointed as the chief executive officer of Solar Technology Investment (Cayman) Corp., responsible for overseeing, amongst others, WWX’s investment in the solar energy industry.

In March 2006, he was appointed as a director and he was subsequently appointed as the chairman of the board of Jinzhou Youhua Silicon Materials Co., Ltd. in September 2006. Mr. HSU You-yuan’s previous work credentials also include acting as deputy general manager of Mosel Vitelic Inc., a company listed on the Taiwan Stock Exchange with stock code 2342 and as a member of the board of directors and executive vice-president of Mosel Vitelic (Hong Kong) Limited, a subsidiary of Mosel Vitelic Inc.

Mr. HSU You-yuan had also made contributions to non-commercial sectors in the past. He served as a researcher, a deputy director, and the director of business department of the Executive Yuan Development Fund of Taiwan (Executive Yuan Development Fund is now known as National Development Fund, Executive Yuan). He was also a lecturer of Statistics and Managerial Mathematics for the business administration department at the Chinese Culture University.

Mr. HSU You-yuan obtained his bachelor’s degree in Statistics from National Cheng Kung University in 1978 and his master’s degree in International Business Administration from Chinese Culture University in 1980.

APPENDIX I BIOGRAPHICAL DETAILS OF THE DIRECTOR SUBJECT TO RE-ELECTION

Mr. HSU You-yuan does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. Mr. HSU You-yuan does not have interests in any Shares within the meaning of Part XV of the SFO. The director's remuneration of Mr. HSU You-yuan as an independent non-executive Director under his appointment letter is not exceeding RMB1 million per annum. The emoluments of Mr. HSU You-yuan are determined with reference to salaries paid by comparable companies, his experience, his responsibilities and his performance.

Save as disclosed herein, Mr. HSU You-yuan does not hold any position with the Company or any other member of the Group, or any directorship in other public companies, the securities of which are listed on any securities market in Hong Kong or overseas in the last three years.

Save as disclosed in this circular, there are no other matters concerning the Mr. HSU You-yuan that need to be brought to the attention of the shareholders of the Company nor any information to be disclosed pursuant to the requirements of Rule 13.51(2) of the Listing Rules.