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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 a stockbroker or other registered dealer in securities, a 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 transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CHINA SHANSHUI CEMENT GROUP LIMITED

中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 691)

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 FRAMEWORK AGREEMENTS;
(2) PROPOSED RE-ELECTION OF DIRECTORS;
(3) PROPOSED GRANTING OF GENERAL MANDATES
TO ISSUE SHARES AND TO BUY BACK SHARES;
(4) PROPOSED AMENDMENTS TO
THE MEMORANDUM AND ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

**Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders**



A letter from the Board is set out on pages 8 to 32 of this circular.

A letter from the Independent Board Committee is set out on pages 33 to 34 of this circular. A letter from the Independent Financial Adviser containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 81 of this circular.

A notice convening the annual general meeting to be held at Meeting Room, 6/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Thursday, 25 May 2023 at 9:30 a.m. is set out on pages 138 to 144 of this circular.

Whether or not you are able to attend the meeting 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 AGM (i.e. not later than 9:30 a.m. on Tuesday, 23 May 2023) or any adjourned meeting thereof (as the case may be). Completion and return of the accompanying form of proxy will not preclude you from attending and voting in person at the meeting 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:

“2021 Announcements”	the announcements of the Company dated 13 December 2021 and 14 January 2022
“2021 Circular”	the circular of the Company dated 30 December 2021
“2021 Framework Agreements”	the Mine Development Services Framework Agreement, Engineering and Technical Services Framework Agreement and Clinker and Cement Transactions Framework Agreements dated 13 December 2021, details of which are set out in the 2021 Announcements and 2021 Circular
“2023 Clinker and Cement Transactions Framework Agreements”	the 2023 CNBMG Clinker and Cement Transactions Framework Agreement and the 2023 Shandong Quanxing Clinker and Cement Transactions Framework Agreement
“2023 CNBMG Clinker and Cement Transactions Framework Agreement”	the framework agreement with CNBMG in relation to the Clinker and Cement Transactions dated 21 April 2023
“2023 Engineering and Technical Services Framework Agreement”	the framework agreement in relation to the Engineering and Technical Services dated 21 April 2023
“2023 Framework Agreements”	the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements
“2023 Mine Development Services Framework Agreement”	the framework agreement in relation to the Mine Development Services dated 21 April 2023
“2023 Shandong Quanxing Clinker and Cement Transactions Framework Agreement”	the framework agreement with Shandong Quanxing in relation to the Clinker and Cement Transactions dated 21 April 2023

DEFINITIONS

“Annual General Meeting” or “AGM”	the annual general meeting of the Company to be held at Meeting Room, 6/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Thursday, 25 May 2023 at 9:30 a.m., to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 138 to 144 of this circular, or any adjournment thereof
“Articles of Association”	the amended and restated articles of association of the Company
“Board”	the board of directors of the Company
“Clinker and Cement Transactions”	the sale and purchase of clinker and cement between the Group and CNBMG Group and/or Shandong Quanxing (as the case may be)
“CNBM”	China National Building Material Company Limited, a joint stock company incorporated in the PRC with limited liability with its shares listed on the Stock Exchange (stock code: 3323) and a substantial shareholder of the Company
“CNBMG”	China National Building Material Group Co., Ltd, a state-owned limited liability company incorporated in the PRC which is engaged in the business of building materials in the PRC, and is the controlling shareholder of CNBM
“CNBMG Group”	CNBMG and its subsidiaries
“Company”	China Shanshui Cement Group Limited (中國山水水泥集團有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange
“Directors”	the directors of the Company
“Effective Date”	a date on which the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements (as the case may be) are approved by the Independent Shareholders of the Company
“Engineering and Technical Services”	the provision of engineering services (including design, construction and technical upgrade services) and technical services (including inspection and product specification comparison services) by CNBMG Group to the Group

DEFINITIONS

“General Issuance Mandate”	the general and unconditional mandate proposed to be granted to the Directors at the Annual General Meeting to allot, issue or deal with additional Shares of not exceeding 20% of the total number of issued Shares as at the date of passing of the ordinary resolution in relation thereof
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the independent committee of the Board, comprising all of the independent non-executive directors of the Company formed to consider the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements and the transactions contemplated thereunder
“Independent Financial Adviser”	Giraffe Capital Limited, a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed to advise the Independent Board Committee and the independent shareholders of the Company in relation to the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements and the transactions contemplated thereunder
“Independent Shareholders”	the Shareholders other than CNBMG and its associates
“Latest Practicable Date”	Wednesday, 26 April 2023, being the latest practicable date prior to the printing of this circular for the purposes of ascertaining certain information referred to in this circular
“Listing Rules”	The Rules Governing the Listing of Securities on the Stock Exchange
“Memorandum and Articles of Association”	the Amended and Restated Memorandum and Articles of Association of the Company, as amended from time to time

DEFINITIONS

“Memorandum of Association”	the amended and restated memorandum of association of the Company
“Mine Development Services”	the provision of mine development, maintenance and related engineering services by CNBMG Group to the Group
“PRC”	the People’s Republic of China, which for the purpose of this circular only (unless otherwise indicated) excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
“Share Buy-back Mandate”	a general mandate proposed to be granted to the Directors to exercise all the powers of the Company to buy back Shares up to 10% of the total number of issued Shares as at the date of passing of the ordinary resolution in relation thereof
“Shandong Quanxing”	Shandong Quanxing Jingshi Cement Co., Ltd., an affiliate of CNBMG
“Shandong Shanshui”	Shandong Shanshui Cement Group Company Limited, the Company’s main operating entity and indirect wholly-owned subsidiary
“Share(s)”	ordinary share(s) with a par value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	the holder(s) of the Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong, as amended from time to time
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent



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)

Executive directors:

Mr. LI Huibao (*Chairman*)

Ms. WU Ling-ling

Mr. HOU Jianguo

Registered office:

Third Floor, Century Yard, Cricket Square

P.O. Box 902

Grand Cayman, KY1-1103

Cayman Islands

Independent Non-executive directors:

Mr. CHANG Ming-cheng

Mr. LI Jianwei

Mr. HSU You-yuan

Principal place of business in Hong Kong:

5/F, Manulife Place

348 Kwun Tong Road

Kowloon

Hong Kong

3 May 2023

To the Shareholders

Dear Sir or Madam,

- (1) RENEWAL OF CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 FRAMEWORK AGREEMENTS;
(2) PROPOSED RE-ELECTION OF DIRECTORS;
(3) PROPOSED GRANTING OF GENERAL MANDATES
TO ISSUE SHARES AND TO BUY BACK SHARES;
(4) PROPOSED AMENDMENTS TO
THE MEMORANDUM AND ARTICLES OF ASSOCIATION;
AND
(5) NOTICE OF ANNUAL GENERAL MEETING**

LETTER FROM THE BOARD

1. INTRODUCTION

The purpose of this circular is to provide you with information reasonably necessary to enable you to make a decision on whether to vote for or against the resolutions to be proposed at the AGM.

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

2.1 BACKGROUND

The Company refers to the 2021 Announcements and the 2021 Circular in relation to the 2021 Framework Agreements.

Due to an expected decrease in the demand of the Engineering and Technical Services provided by the CNBMG Group to the Group and the Clinker and Cement Transactions between the Group and CNBMG Group and/or Shandong Quanxing for the year ending 31 December 2023, the Board proposes to decrease the existing annual caps in respect of the 2021 Engineering and Technical Services Framework Agreement and the 2021 Clinker and Cement Transactions Framework Agreements. In addition, the 2021 Framework Agreements will expire on 31 December 2023 and it is currently expected that the transactions under the 2021 Framework Agreements will continue on a recurring basis. Therefore, on 21 April 2023, the Group has terminated the 2021 Framework Agreements and has entered into the 2023 Framework Agreements with CNBMG and Shandong Quanxing, an affiliate of CNBMG.

Details of the 2023 Framework Agreements are set out below:

LETTER FROM THE BOARD

2.2 PRINCIPAL TERMS OF THE 2023 FRAMEWORK AGREEMENTS

The principal terms of each of the 2023 Framework Agreements are summarised as follows:

(a) 2023 Mine Development Services Framework Agreement

Date:	21 April 2023
Parties:	(i) Shandong Shanshui (ii) CNBMG
Scope of transactions:	Provision of mine development, maintenance and related engineering services by CNBMG Group to the Group
Term:	From the Effective Date to 31 May 2024 (both days inclusive)
Basis of pricing:	The price of the services will be determined through a tender or quotation process, and will depend on the result of the tender or quotation (as the case may be) if CNBM wins the tender or quotation (as the case may be). The Group will use (i) the method of public tender for projects that are commoditised and/or standardised, (ii) the method of selective tender for projects that are non-standardised, relatively specific, require detailed communications with the suppliers on technological aspects of the project, with fewer potential bidders and/or the project timetable is rather urgent, and (iii) the method of request for quotation for projects in which the supply requested is of a smaller scale and/or of a unique quality and there is a lack of competition, the Group has already used public tender recently and/or the market prices for the raw materials involved are relatively stable.

LETTER FROM THE BOARD

The pricing procedures are as follows:

- **Public tender:** When using the method of public tender, a tender committee will be established by the procurement and supply management department at Group level, comprising relevant experts from the requesting entity, the corresponding operating region, the mining management office under the development and technology department at Group level, the legal department at Group level and the audit department at Group level. The tender committee will review the tender documents and technical requirements and publish a tender notice via an online platform (e.g., Alibaba). The public tender process will need to have at least three valid tenders. The tender committee will review each tender and provide its feedback based on a number of factors including the participant's quality, costs, timing and services. After the procurement and supply management department at Group level consolidates all relevant feedback, it will prepare a tender award request (including the relevant documents such as feedback on the tender, proposed tender participant to be awarded the tender, pricing comparison list and pricing quotation list) and submit it to the vice president of the procurement and supply department at Group level for approval.
- **Selective tender:** The method of selective tender is similar to a public tender, with the key difference being that there is no public tender via an online platform, and participants shortlisted by the procurement and supply management department at Group level (on the recommendation of the tender committee) join the tender by way of invitation.

LETTER FROM THE BOARD

- **Request for quotation:** When using the method of request for quotation, the procurement and supply management department at Group level will shortlist suppliers, based on their quality, from the Group's supplier database and invite these suppliers to provide quotations. After the mining management office under the development and technology department at Group level and the legal department at Group level review the quotation and provide their feedback, the procurement and supply management department at Group level will prepare an award request (including the relevant documents such as feedback on the quotation, pricing comparison list and pricing quotation list) to be submitted to the vice president of the procurement and supply department at Group level for approval.

If CNBMG Group wins the tender or quotation (as the case may be), the exact price will be determined based on the specific work involved for the project, after the actual costs of CNBMG Group have been ascertained by the Group's technical personnel. The prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets.

(b) 2023 Engineering and Technical Services Framework Agreement

Date: 21 April 2023

Parties: (i) Shandong Shanshui
(ii) CNBMG

Scope of transactions: Provision of engineering services (including design, construction and technical upgrade services) and technical services (including inspection and product specification comparison services) by CNBMG Group to the Group

Term: From the Effective Date to 31 May 2024 (both days inclusive)

LETTER FROM THE BOARD

Basis of pricing: The price of the services (other than inspection services) will be determined through a tender or quotation process, and will depend on the result of the tender or quotation (as the case may be) if CNBM wins the tender or quotation (as the case may be). The Group will use (i) the method of public tender for projects that are commoditised and/or standardised, (ii) the method of selective tender for projects that are non-standardised, relatively specific, require detailed communications with the suppliers as on technological aspects of the project, with fewer potential bidders and/or the project timetable is rather urgent, and (iii) the method of request for quotation for projects in which the supply requested is of a smaller scale and/or of a unique quality and there is a lack of competition, the Group has already used public tender recently and/or the market prices for the raw materials involved are relatively stable.

In ensuring that the pricing is on normal commercial terms, the Group follows the following grid in determining its internal department that will run the pricing process and approve the final result:

Monetary amount involved	Unit that will run the tender/quotation process	Unit that will approve the final result
Less than RMB1,000,000	Procurement and supply management department at subsidiary (or branch) level	General manager at subsidiary (or branch) level
RMB1,000,000 or above but below RMB2,000,000	Procurement and supply management office at operating region level	General manager at operating region level

LETTER FROM THE BOARD

Monetary amount involved	Unit that will run the tender/ quotation process	Unit that will approve the final result
RMB2,000,000 and above	Procurement and supply management department at Group level	Vice president of the procurement and supply management department at Group level

The pricing procedures are as follows:

- **Public tender:** When using the method of public tender, a tender committee will be established by the unit running the tender process (in accordance with the requisite levels as set out in the preceding sub-paragraph above), comprising experts from the production, technology, legal and audit departments at the corresponding corporate level. The tender committee will review the tender documents and technical requirements and publish a tender notice via an online platform (e.g., Alibaba). The public tender process will need to have at least three valid tenders. The tender committee will review each tender and provide its feedback based on a number of factors including the participant's quality, costs, timing and services. After the unit running the tender process (depending on the requisite levels as set out in the preceding sub-paragraph above) consolidates all relevant feedback, it will prepare a tender award request (including the relevant documents such as feedback on the tender, proposed tender participant to be awarded the tender, pricing comparison list and pricing quotation list) and submit it to the head of the corresponding unit for approval.

LETTER FROM THE BOARD

- **Selective tender:** The method of selective tender is similar to a public tender, with the key difference being that there is no public tender via an online platform, and participants shortlisted by the unit running the quotation process (in accordance with the requisite levels as set out in the preceding sub-paragraph above) (on the recommendation of the tender committee) join the tender by way of invitation.
- **Request for quotation:** When using the method of request for quotation, the unit running the quotation process (in accordance with the requisite levels as set out in the preceding sub-paragraph above) will shortlist suppliers, based on their quality, from the Group's supplier database and invite these suppliers to provide quotations. After the production, technology and legal departments at the corresponding corporate level review the quotation and provide their feedback, the unit running the quotation process (in accordance with the requisite levels as set out above) will prepare an award request (including the relevant documents such as feedback on the quotation, pricing comparison list and pricing quotation list) to be submitted to the head of the corresponding unit for approval.

The price of the inspection services will be determined based on the prices prescribed by the National Quality Supervision and Testing Center for Cement from time to time.

(c) ***2023 CNBMG Clinker and Cement Transactions Framework Agreement***

Date: 21 April 2023

Parties: (i) Shandong Shanshui
(ii) CNBMG

LETTER FROM THE BOARD

Scope of transactions: Sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and CNBMG Group

Term: From the Effective Date to 31 May 2024 (both days inclusive)

Basis of pricing: The price of the clinker and cement (including aggregate and commercial concrete) purchased from and sold to CNBMG Group will be determined with reference to the quotation from other clinker and cement companies in the nearby area through price inquiry, and determine the price based on comparing the quotes obtained.

(d) 2023 Shandong Quanxing Clinker and Cement Transactions Framework Agreement

Date: 21 April 2023

Parties: (i) Shandong Shanshui
(ii) Shandong Quanxing

Scope of transactions: Sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and Shandong Quanxing's subsidiaries, Shandong Quanxing Cement Co., Ltd. and Shandong Shenfeng Cement Co., Ltd.

Term: From the Effective Date to 31 May 2024 (both days inclusive)

Basis of pricing: The price of the clinker and cement (including aggregate and commercial concrete) purchased from and sold to Shandong Quanxing's subsidiaries will be determined with reference to the quotation from other clinker and cement companies in the nearby area through price inquiry, and determine the price based on comparing the quotes obtained.

LETTER FROM THE BOARD

Each of the 2023 Framework Agreements was entered into in the ordinary and usual course of business of the Company. The terms of the 2023 Framework Agreements were negotiated on an arm's length basis and on normal commercial terms.

2.3 EXISTING ANNUAL CAPS

The table below summarises the existing annual caps in respect of the transactions under the 2021 Framework Agreements:

Existing annual cap	For the year ended/ending 31 December		
	2021	2022	2023
		<i>(RMB '000)</i>	
Mine Development Services	600,000	702,850	748,370
Engineering and Technical Services	400,000	1,469,885	1,449,351
Clinker and Cement Transactions ¹	340,000	340,000	340,000

¹ As the transactions contemplated under the Clinker and Cement Transactions Framework Agreements dated 13 December 2021 were exempt from the independent shareholders' approval requirements pursuant to Chapter 14A of the Listing Rules, no shareholders' approval was sought in respect of the Clinker and Cement Transactions Framework Agreements dated 13 December 2021 in the Company's extraordinary general meeting held on 14 January 2022. Details of the Clinker and Cement Transactions Framework Agreements dated 13 December 2021 were set out in the 2021 Announcements.

2.4 HISTORICAL TRANSACTION AMOUNTS

The table below summarises the actual historical transaction amounts in respect of the transactions under the 2021 Framework Agreements:

Historical transaction amounts	For the year ended 31 December		For three months ended
	2021	2022	31 March 2023
		<i>(RMB '000)</i>	
Mine Development Services	518,400	608,128	75,422
Engineering and Technical Services	327,854	526,407	26,551
Clinker and Cement Transactions	128,303	118,468	18,932

LETTER FROM THE BOARD

2.5 PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions under the 2023 Framework Agreements are as follows:

	For the year ending 31 December 2023	For the five months ending 31 May 2024
	<i>(RMB '000)</i>	
Mine Development Services	748,370	270,020
Engineering and Technical Services	788,807	527,830
Clinker and Cement Transactions	300,000	125,000

The proposed annual caps in respect of the Engineering and Technical Services and the Clinker and Cement Transactions for the year ending 31 December 2023 have been decreased from RMB1,449,351,000 to RMB788,807,000 and from RMB340,000,000 to RMB300,000,000, respectively.

2.6 BASIS OF DETERMINATION OF PROPOSED ANNUAL CAPS

The proposed annual caps in respect of the transactions under each of the 2023 Framework Agreements have been determined by reference to the following factors:

(a) 2023 Mine Development Services Framework Agreement

The proposed annual caps in respect of the transactions contemplated under the 2023 Mine Development Services Framework Agreement have been determined based on:

- (i) the historical fees for the Mine Development Services paid by the Group to CNBMG Group since January 2021;
- (ii) the expected growth in the Group's corresponding demand for the Mine Development Services from CNBMG Group in 2024, in view of the expected increase in mining and maintenance costs contributed by the five mining sites which have commenced operation upon the completion of infrastructure construction or the application of mining licenses and safety certificates;

LETTER FROM THE BOARD

- (iii) the prevailing market prices for the provision of similar mine development, maintenance and related engineering services, which are determined with reference to the geological conditions, the surrounding environment and the construction type of the mining area; and
- (iv) a buffer of 10% to cater for any possible unforeseeable circumstances such as (x) obtaining new resources by utilising resource acquisition advantages from CNBMG such as exploration technologies and (y) fluctuation relating to the actual quantity of limestone extracted.

(b) 2023 Engineering and Technical Services Framework Agreement

The proposed annual caps in respect of the transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement have been determined based on:

- (i) the historical fees for the Engineering and Technical Services paid by the Group to CNBMG Group since January 2021;
- (ii) the expected decrease in the Group's corresponding demand for the Engineering and Technical Services from CNBMG Group for the year ending 31 December 2023, in view of:
 - (A) a delay in progress on the implementation of certain technology upgrade projects and infrastructure projects by the Group due to changes in government policies;
 - (B) upon the completion of the significant technology upgrade projects planned by the Group in Shanxi, the Group notes that different policy requirements are adopted for technology upgrade projects in Shandong, including Selective Catalytic denitrification (SCR) related system. As a result, it is expected that the Group's demand for Engineering and Technical Services for such technology upgrade projects in Shandong will decrease for the year ending 31 December 2023; and
 - (C) the provision of certain Engineering and Technical Services by other selected service providers through a public tender or quotation process;

LETTER FROM THE BOARD

- (iii) the expected growth in the Group's corresponding demand for the Engineering and Technical Services from CNBMG Group, in view of the planned construction, relocation and productivity replacement of around 8 significant infrastructure projects (such as clinker production lines and cement grinding production lines) by the Group in response to development in industry policies and the 14th Five Year Plan of the PRC, among which (x) 3 significant infrastructure projects have either commenced or have their implementation confirmed, of which the construction period will be expended to continue into 2023 and 2024, and (y) 5 significant infrastructure projects are expected to commence in turn between 2023 and 2024. Specific works for these projects may include engineering design, civil construction, machinery and equipment, road and installations, and based on the development pace of these significant infrastructure projects, the Group expects to incur an aggregate transaction amount of approximately RMB773 million and RMB528 million for the year ending 31 December 2023 and for the five months ending 31 May 2024, respectively;
- (iv) the expected increase in corporate environmental costs and labour costs;
- (v) the prevailing cost and expected increase in the cost of raw materials, taking into account of the costs of steel, coal and electricity for the projects implemented by the Group since January 2021; and
- (vi) the prevailing market prices for the provision of similar engineering and technical services.

(c) *2023 Clinker and Cement Transactions Framework Agreements*

The proposed annual caps in respect of the transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements have been determined based on:

- (i) the historical expenditures for the Clinker and Cement Transactions paid by the Group to CNBMG Group and its affiliates and by CNBMG Group and its affiliates to the Group since January 2021;
- (ii) the decline in the market price of cement due to a decrease in the demand for cement, and hence the decline in the expenditures for the Clinker and Cement Transactions paid by the Group and/or the CNBMG Group during the first quarter in 2023;

LETTER FROM THE BOARD

- (iii) notwithstanding that the actual expenditures for the Clinker and Cement Transactions for the years ended 31 December 2021 and 31 December 2022 were lower than expected due to the impact of COVID-19 outbreak on the real estate sector, the expected gradual increase in the Group's and the CNBMG's demand for the Clinker and Cement Transactions in 2024 in view of the efforts by the local governments to tackle the impact of COVID-19 and an overall downward trend in real estate market, as well as multiple government departments have issued favourable real estate policies; and
- (iv) the (x) cost of raw materials and (y) prevailing market prices for the provision of similar Clinker and Cement.

2.7 REASONS FOR AND BENEFITS OF ENTERING INTO THE 2023 FRAMEWORK AGREEMENTS

The Board considers that the 2023 Framework Agreements will bring the following benefits to the Company:

(a) *2023 Mine Development Services Framework Agreement*

To support the Company's day-to-day operations, the Company will need to extract limestones to serve as raw materials for its cement production. To ensure safe and proper extraction of limestones, mine development, maintenance and related engineering services are necessary. Local environmental laws also require the land conditions of the extraction sites to be restored during the extraction process.

Compared to other companies the Company has previously cooperated with, CNBMG possesses competitive advantages on its mining technology, management standards and infrastructure construction qualities in terms of its (i) market profile, (ii) technological capabilities, (iii) compliance with state environmental laws and (iv) cost efficiency, as evidenced by the following qualities and achievements of its subsidiary and engineering services provider unit, CNBM:

- CNBM is a tier-one service provider in the mining construction in the Chinese mining industry measured by aggregate contracted project value, an industry standard established by the Ministry of Housing and Urban-Rural Development of the PRC. CNBM has been engaged in limestone development and extraction projects for (i) an overwhelming majority of the cement corporations in China and (ii) various other overseas cement corporations;

LETTER FROM THE BOARD

- CNBM has the technology and expertise in mining to utilise limestones of both superior and sub-par qualities, thereby maximising the utilisation rate of limestones extracted. In addition, CNBM meets the requirements of the local governments and authorities, thereby avoiding the risk of suspension and rectification in production as a result of non-compliant mining; and
- CNBM has established and implemented a strict policy and adheres to the concept of “Simultaneous Mining, Maintenance and Green-mining Construction” (“邊開採、邊治理、邊進行綠色礦山建設”) to ensure the land conditions of the extraction sites are restored simultaneously during the extraction process, thereby reducing the risk of suspension and rectification in production as a result of non-compliant mining and reducing the need for investment in “green-mining” projects and minimising the overall restoration costs for extraction sites.

In light of the above, the Board believes that the Company can leverage on CNBMG’s strengths to:

- enhance the mine development, maintenance and related engineering services quality of the Company;
- ensure (i) compliance with local environmental laws for simultaneous restoration of the land conditions of extraction sites and (ii) minimal restoration costs as a result of CNBM’s strict policy for simultaneous restoration; and
- lower its overall production cost as a result of the mixed utilisation of limestones of both superior and sub-par qualities.

(b) 2023 Engineering and Technical Services Framework Agreement

From time to time, the Company requires (i) design services when it establishes new production lines, (ii) technical upgrade services when it decides to improve the quality and scale of its cement production and (iii) technical services in compliance with environmental and safety regulations and for purposes of participating in routine specification comparison inspections conducted by state authorities in accordance with cement industry regulations.

LETTER FROM THE BOARD

Compared to other service providers, CNBMG possesses competitive advantages in the provision of engineering and technical services in terms of its (i) scale, (ii) technological capabilities and (iii) cost-to-performance ratio of its upgrade services, as evidenced by the following qualities and achievements of CNBMG:

- CNBMG is the largest and market-leading integrated building materials developer and service provider in the world in terms of scale;
- CNBMG Group has 26 national scientific research and design institutes, 38,000 scientific research and development and technical engineering employees, 55 national industrial quality inspection centres, more than 21,000 patents, 3 national key laboratories, 8 national engineering (technology) research centres and 19 national standardisation technical committees;
- CNBMG Group owns 7 first class State Science and Technology Progress Awards and 4 China Grand Awards for Industry; and
- CNBMG is able to provide engineering services on at a higher cost-to-performance ratio compared with its competitors.

In light of the above, the Board believes that the Company can leverage on CNBMG's strength to ensure its engineering quality, increase production quality and volume, ensure stable operations, thereby increasing overall revenue for the Group.

(c) 2023 Clinker and Cement Transactions Framework Agreements

Purchase of clinker and cement from CNBMG's group companies and its affiliates

From time to time, various clinker and cement companies in the Group in the Western Shandong Province, Southern Shandong Province and Northeastern China (collectively, the “**Deficit Regions**”) experienced deficit in clinker and cement supply. In addition, for some of the Group's operations, the closest clinker and cement production unit within the Group are still distant. This means for such operations, it will not be cost-efficient to rely on internal supply of clinker and cement, as this will result in higher transportation costs which may take up a significant portion of the overall cement production cost. Meanwhile, some of the CNBMG Group and its affiliates are geographically close to the clinker and cement companies in the Group within the Deficit Regions.

LETTER FROM THE BOARD

The Board believes that purchasing clinker and cement from such CNBMG Group and its affiliates can bring the following benefits to the Company:

- (i) reducing the overall procurement and transportation costs for the Group in the Deficit Regions; and
- (ii) the clinker and cement produced by CNBMG Group and its affiliates are reliable and of high quality, as evidenced by CNBMG Group and its affiliates being consistently named as one of the designated clinker and cement suppliers for large scale projects in the cement industry and key national cement projects.

Sale of clinker and cement to CNBMG Group companies and its affiliates

CNBMG Group and its affiliates have similar transportation costs concerns due to the lack of geographical proximity among certain of their clinker and cement production units and clinker and cement companies, and therefore would need to purchase clinker and cement from suppliers in closer proximity from time to time.

The Group owns clinker and cement production units that are close to quite a few clinker and cement companies within CNBMG Group and by selling clinker and cement to CNBMG Group and its affiliates, the Board believes that the Company can increase its overall sales volume, thereby effectively generating higher revenue and profits.

Based on the abovementioned reasons, the Company believes that entering into such transactions with CNBMG Group and its affiliates will be beneficial to the Group.

2.8 MEASURES TO SAFEGUARD SHAREHOLDERS' INTERESTS

In order to further safeguard the interests of the Shareholders as a whole, the Group has implemented the following internal approval and monitoring procedures in relation to the transactions contemplated under the 2023 Framework Agreements:

- (a) before confirming the pricing and the terms of the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be), the Group will review and consider the basis of pricing in accordance with the pricing principles set out in the section headed "Principal Terms of the 2023 Framework Agreements" in this circular;

LETTER FROM THE BOARD

- (b) the Group has adopted internal guidelines which provide that:
- (i) the procurement and supply management department and the finance department of the Company will collate and monitor the transaction amounts of the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) and any relevant information requiring disclosure from the relevant business unit, and report to the Company's management on a monthly basis;
 - (ii) Shandong Shanshui's management team is also required to report connected transaction issues to the Board and the Board's Audit Committee on a regular basis, including the categories, transaction amount and rationale of continuing connected transactions conducted during the covered period; and
 - (iii) if the value of any Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) is expected to exceed the annual cap in the next three months, the procurement and supply management department and the finance department of the Company must (i) follow up and report to the Company's management after discussion with the relevant business unit and (ii) commence the necessary additional assessment and approval procedures to ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to annual cap; and
- (c) the Company will provide information and supporting documents to its independent non-executive Directors and auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the Company will procure that its auditors will provide confirmation to the Board on an annual basis as to whether anything has come to their attention that causes them to believe that the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) have not been approved by the Board, or are not conducted in accordance with the pricing policies of the Group in all material respects, or are not entered into in accordance with the relevant agreement governing the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) in all material respects or have exceeded the annual cap applicable to these services.

LETTER FROM THE BOARD

2.9 INFORMATION OF THE PARTIES

(a) *The Company*

The Company is a public limited company incorporated in Cayman Islands. It engages in the production of clinker, cement and concrete in the PRC.

(b) *Shandong Shanshui*

Shandong Shanshui is a limited liability company incorporated in the PRC and is engaged in investment holding. It is the Company's main operating entity and indirect wholly-owned subsidiary.

(c) *CNBMG*

CNBMG is a state-owned limited liability company incorporated in the PRC and is engaged in the business of building materials in the PRC. It is the controlling shareholder of CNBM.

(d) *CNBM*

CNBM is a leading building materials company in the PRC with significant operations in the cement, new materials and engineering services businesses, with its shares listed on the Stock Exchange (stock code: 3323). It is a substantial shareholder of the Company. Its controlling shareholder and ultimate beneficial owner is CNBMG.

(e) *Shandong Quanxing*

Shandong Quanxing is a limited liability company incorporated in the PRC, and is engaged in the business of the operations of cement, sandstone and aggregate products under the "Shenfeng" and "Quanxing" brands, the production and processing of cement products, and provision of cement technology services. It is a 30%-controlled company (as defined under Chapter 14A of the Listing Rules) of CNBMG. Its ultimate beneficial owner is Shandong Quanxing Energy Group Co., Ltd., a state-owned company incorporated in the PRC.

LETTER FROM THE BOARD

2.10 LISTING RULES IMPLICATIONS IN RELATION TO THE 2023 FRAMEWORK AGREEMENTS

As at the date of this circular, CNBMG is a substantial shareholder holding approximately 12.94% of the issued Shares and hence a connected person of the Company under Chapter 14A of the Listing Rules. In addition, Shandong Quanxing, which is 49% indirectly held by CNBMG, is a 30%-controlled company of CNBMG and hence a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under each of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the 2023 Clinker and Cement Transactions Framework Agreements were entered into by the Group with parties who are connected with one another within a 12-month period, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements are required to be aggregated as if they were one transaction.

As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under each of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements exceeds 5%, the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Ms. Wu Ling-ling, an executive Director, abstained from voting on the 2023 Framework Agreements and the transactions contemplated thereunder in view of the fact that she was involved in an ongoing litigation with the Company (details of which have been set out in pages 94 to 99 of the annual report of the Company for the financial year ended 31 December 2022). Save for the above, none of the Directors has a material interest in the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) nor is any of them required to abstain from voting on the relevant board resolutions.

LETTER FROM THE BOARD

As at the Latest Practicable Date, CNBMG and its associates hold approximately 12.94% of the issued Shares. Since CNBMG and its associates are considered to have a material interest in respect of each of the 2023 Framework Agreements, CNBMG and its associates shall abstain from voting on the relevant resolutions to approve the same pursuant to the Listing Rules. Save as disclosed above, to the best of the information and knowledge of the Directors after making reasonable enquiries, no other existing Shareholder is required to, or otherwise will, abstain from voting on the relevant resolutions to approve the 2023 Framework Agreements for the purpose of the Listing Rules.

2.11 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Company has established an Independent Board Committee comprising all the independent non-executive Directors to advise the Independent Shareholders in connection with the entering into of the 2023 Framework Agreements, the transactions contemplated thereunder and the annual cap related thereto. Giraffe Capital Limited has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The Independent Board Committee, having taken into account the advice and recommendation of the Independent Financial Adviser, considers that the entering into of the 2023 Framework Agreements and the transactions contemplated thereunder to be in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole, the terms of the 2023 Framework Agreements, the transactions contemplated thereunder and the annual caps related thereto are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolutions to be proposed at the AGM.

The letter from the Independent Board Committee to the Independent Shareholders is set out on page 33 of this circular. The letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders is set out on pages 35 to 81 of this circular.

3. PROPOSED RE-ELECTION OF THE DIRECTORS

Pursuant to Article 16.18 of the Articles of Association, at every annual general meeting of the Company one-third of the Directors for the time being, or, if their number is not three or a multiple of three, then the number nearest to, but not less than, one-third, shall retire from office by rotation provided that every Director (including those appointed for a specific term) shall be subject to retirement by rotation at least once every three years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election thereat.

LETTER FROM THE BOARD

Accordingly, Mr. LI Jianwei and Mr. HSU You-yuan shall retire from office as Independent Non-executive Directors respectively by rotation at the AGM. The above Directors, being eligible, will offer themselves for re-election at the AGM.

The Nomination Committee has reviewed the structure and composition of the Board, the confirmations and disclosures given by the Directors, the qualifications, skills and experience, time commitment and contribution of the retiring Directors with reference to the nomination principles and criteria set out in the Company's Board Diversity Policy and Director Nomination Policy and the Company's corporate strategy, and the independence of all Independent Non-executive Directors. The Nomination Committee has recommended to the Board on re-election of all the retiring Directors including the aforesaid Independent Non-executive Directors who are due to retire at the AGM. The Company considers that the retiring Independent Non-executive Directors are independent in accordance with the independence guidelines set out in the Listing Rules and will continue to bring valuable business experience, knowledge and professionalism to the Board for its efficient and effective functioning and diversity.

Details of the above retiring Directors are set out in Appendix II to this circular.

4. PROPOSED GRANTING OF GENERAL MANDATES TO ISSUE SHARES AND TO BUY BACK SHARES

In order to give the Company the flexibility to issue and buy back Shares if and when appropriate, ordinary resolutions will be proposed at the AGM to approve the granting to the Directors of general mandates to issue, allot and deal with additional Shares and to buy back its Shares on the Stock Exchange. The Directors believe that the granting of these general mandates will be in the best interests of the Company and the Shareholders as a whole.

At the AGM, an ordinary resolution, full text of which is set out as resolution No. 5 in the notice of AGM, will be proposed to the Shareholders to grant to the Directors a general mandate to allot, issue and deal with additional Shares not exceeding 20% of the total number of issued Shares of the Company as at the date of passing the proposed ordinary resolution (i.e. 870,793,245 Shares, based on the total number of issued Shares as at the Latest Practicable Date and subject to no Shares being issued or bought back by the Company during the period between the Latest Practicable Date and the date of the AGM).

At the AGM, an ordinary resolution, full text of which is set out as resolution No. 4 in the notice of AGM, will be proposed to the Shareholders to grant to the Directors a general mandate to exercise all the powers of the Company to buy back issued Shares not exceeding 10% of the total number of issued Shares of the Company as at the date of passing the proposed ordinary resolution (i.e. 435,396,622 Shares, based on the total number of issued Shares as at the Latest Practicable Date and subject to no Shares being issued or bought back by the Company during the period between the Latest Practicable Date and the date of the AGM).

LETTER FROM THE BOARD

An explanatory statement in compliance with Rule 10.06(1) (b) of the Listing Rules relating to the Share Buy-back Mandate is set out in Appendix III to this circular.

In addition, an ordinary resolution, full text of which is set out as resolution No. 6 in the notice of AGM, will be proposed at the AGM to authorise the extension of the General Issuance Mandate by adding to it the number of Shares subsequently bought back by the Company under the Share Buy-back Mandate.

5. PROPOSED AMENDMENTS TO THE MEMORANDUM AND ARTICLES OF ASSOCIATION

On 1 January 2022, the Listing Rules were amended by, among others, adopting a uniform set of 14 core standards for shareholder protections for issuers regardless of their place of incorporation set out in Appendix IV to the Listing Rules. The Board proposes to make certain amendments to the Memorandum and Articles of Association to conform to the said core standards for shareholder protections, to allow a general meeting to be held as an electronic meeting or a hybrid meeting and to incorporate certain housekeeping changes. The Board also proposes to adopt the new Memorandum and Articles of Association in substitution for, and to the exclusion of, the existing Memorandum and Articles of Association.

Details of the amendments to the Memorandum and Articles of Association are set out in Appendix IV to this circular. A special resolution will be proposed at the AGM to approve the proposed amendments to the Memorandum and Articles of Association.

The Company's legal advisers have confirmed that the proposed amendments conform with the requirements of the Listing Rules and the Cayman Islands laws. The Company also confirms that there is nothing unusual about the proposed amendments for a company listed in Hong Kong. The proposed amendments are prepared in the English. The Chinese translation of the Memorandum and Articles of Association is for reference only. In case there are any inconsistencies between the English version and the Chinese version, the English version shall prevail.

LETTER FROM THE BOARD

6. ANNUAL GENERAL MEETING AND PROXY ARRANGEMENT

The notice convening the AGM to be held at Meeting Room, 6/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Thursday, 25 May 2023 at 9:30 a.m. is set out on pages 138 to 144 of this circular.

Enclosed with this circular is the form of proxy for use at the AGM. Such form is also available at the websites of Hong Kong Exchanges and Clearing Limited at <http://www.hkexnews.hk> and the Company at <http://www.sdsunnsygroup.com>. Whether or not you are able to attend the AGM in person, you are requested to complete and return the 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 AGM (i.e. not later than 9:30 a.m. on Tuesday, 23 May 2023) or any adjourned meeting thereof (as the case may be). Completion and return of the form of proxy will not preclude you from attending and voting in person at the AGM or any adjourned meeting thereof (as the case may be) should you so wish and in such event, the form of proxy shall be deemed to be revoked.

7. VOTE BY POLL

Any vote in respect of the resolutions to be put forward for consideration at the AGM will be taken by poll except where the chairman of the AGM decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands in accordance with Rule 13.39(4) of the Listing Rules. An announcement on the poll results will be published by the Company after the AGM in the manner prescribed under the Listing Rules.

8. CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the AGM, 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 Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 19 May 2023.

LETTER FROM THE BOARD

9. RECOMMENDATION

The Directors (including the independent non-executive Directors) are of the opinion that the proposed resolutions set out in the notice of AGM are in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the proposed resolutions.

10. ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders, the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, and other additional information set out in Appendices to this circular.

Yours faithfully,
By Order of the Board
LI Huibao
Chairman



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)

3 May 2023

To the Independent Shareholders

Dear Sir or Madam,

**CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 FRAMEWORK AGREEMENTS**

We refer to the circular of the Company dated 3 May 2023 (the “**Circular**”) despatched to the Shareholders, of which this letter forms part. Unless the context specifies otherwise, capitalised terms used herein have the same meanings as those defined in the Circular.

We have been appointed by the Board as the Independent Board Committee to consider the terms of the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) and to advise the Independent Shareholders in connection therewith. We wish to draw your attention to:

- (i) the letter from the Board set out on pages 8 to 32 of the Circular; and
- (ii) the letter from the Independent Financial Adviser set out on pages 35 to 81 of the Circular, which contains its advice and recommendation to the Independent Board Committee and the Independent Shareholders, together with the principal factors and reasons it has taken into consideration.

LETTER FROM THE INDEPENDENT BOARD COMMITTEE

Having taken into account the opinion of the Independent Financial Adviser as set out in its letter of advice, we consider that (i) each of the 2023 Framework Agreements is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms of each of the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions to approve each of the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) at the AGM.

Yours faithfully,

**For and on behalf of the Independent Board Committee
China Shanshui Cement Group Limited**

Mr. CHANG Ming-cheng

Mr. LI Jianwei

Mr. HSU You-yuan

*Independent non-executive
Director*

*Independent non-executive
Director*

*Independent non-executive
Director*

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The following is the full text of the letter received from Giraffe Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders prepared for the purpose of inclusion in this circular.



Giraffe Capital Limited

3 May 2023

To the Independent Board Committee and the Independent Shareholders

Dear Sir or Madam,

RENEWAL OF CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2023 FRAMEWORK AGREEMENTS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the 2023 Mine Development Services Framework Agreement, (ii) the 2023 Engineering and Technical Services Framework Agreement and (iii) the 2023 Clinker and Cement Transactions Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder, details of which are set out in the letter from the Board (the “**Letter from the Board**”) of the circular issued by the Company dated 3 May 2023 (the “**Circular**”), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As disclosed in the Letter from the Board, due to an expected decrease in the demand of the Engineering and Technical Services provided by the CNBMG Group to the Group and the Clinker and Cement Transactions between the Group and CNBMG Group and/or Shandong Quanxing for the year ending 31 December 2023, the Board proposes to decrease the existing annual caps in respect of the 2021 Engineering and Technical Services Framework Agreement and the 2021 Clinker and Cement Transactions Framework Agreements. In addition, the 2021 Framework Agreements will expire on 31 December 2023 and it is currently expected that the transactions under the 2021 Framework Agreements will continue on a recurring basis. Therefore, on 21 April 2023, the Group has terminated the 2021 Framework Agreements and has entered into the 2023 Framework Agreements with CNBMG and Shandong Quanxing, an affiliate of CNBMG.

As at the date of this letter, CNBMG is a substantial shareholder holding approximately 12.94% of the issued Shares and hence a connected person of the Company under Chapter 14A of the Listing Rules. In addition, Shandong Quanxing, which is 49% indirectly held by CNBMG, is a 30%-controlled company of CNBMG and hence a connected person of the Company under Chapter 14A of the Listing Rules. Therefore, the transactions contemplated under each of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Since the 2023 Clinker and Cement Transactions Framework Agreements were entered into by the Group with parties who are connected with one another within a 12-month period, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements are required to be aggregated as if they were one transaction.

As one or more of the applicable percentage ratios in respect of the proposed annual caps of the transactions contemplated under each of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements exceeds 5%, the transactions contemplated thereunder are subject to the reporting, announcement, independent shareholders' approval and annual review requirements under Chapter 14A of the Listing Rules.

Ms. Wu Ling-ling, an executive Director, abstained from voting on the 2023 Framework Agreements and the transactions contemplated thereunder in view of the fact that she was involved in an ongoing litigation with the Company (details of which have been set out in pages 94 to 99 of the annual report of the Company for the financial year ended 31 December 2022). Save for the above, none of the Directors has a material interest in the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) nor is any of them required to abstain from voting on the relevant board resolutions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As at the Latest Practicable Date, CNBMG and its associates hold approximately 12.94% of the issued Shares. Since CNBMG and its associates are considered to have a material interest in respect of each of the 2023 Framework Agreements, CNBMG and its associates shall abstain from voting on the relevant resolutions to approve the same pursuant to the Listing Rules. Save as disclosed above, to the best of the information and knowledge of the Directors after making reasonable enquiries, no other existing Shareholder is required to, or otherwise will, abstain from voting on the relevant resolutions to approve the 2023 Framework Agreements for the purpose of the Listing Rules.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely, Mr. Chang Ming-cheng, Mr. Li Jianwei, and Mr. Hsu You-yuan, has been formed to consider and advise to the Independent Shareholders in connection with the entering into of the 2023 Framework Agreements, the transactions contemplated thereunder and the annual cap related thereto. We have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in the same regard.

OUR INDEPENDENCE

During the past two years immediately preceding and up to the date of our appointment as the Independent Financial Adviser, we have acted as the independent financial adviser to the independent board committee and independent shareholders of the Company in respect of the Mine Development Services Framework Agreement and Engineering and Technical Services Framework Agreement dated 13 December 2021 (together with the proposed annual caps) and the transactions contemplated thereunder as detailed in the 2021 Circular. Notwithstanding the above engagement, as at the Latest Practicable Date, we were independent from and not connected with the Group in accordance with Rule 13.84 of the Listing Rules, and accordingly, are qualified to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with our appointment as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

BASIS OF OUR OPINION

In formulating our opinion and recommendation, we have reviewed, among others, (i) the announcement of the Company dated 21 April 2023 for renewal of continuing connected transactions in relation to the 2023 Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder, and 2021 Circular; (ii) the terms of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements; (iii) the annual results announcement of the Company dated 15 March 2023 (the “**Results Announcement 2022**”), and the annual report of the Company for the year ended 31 December 2021 (“**FY2021**”) (the “**Annual Report 2021**”); (iv) the information and facts supplied by the Group; (v) the opinions expressed by and the representations of the Directors and management of the Group; and (vi) certain relevant public information, and have assumed that all such information and facts provided and any opinions and representations made to us are true, accurate and complete in all material aspects at the time they were made and up to the date of the AGM.

We have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management of the Company and/or the Directors. We have assumed that all such statements, information, opinions and representations contained or referred to in the Circular and the information, opinions and representations provided to us by the Group and/or its management of the Company and/or the Directors were true and accurate at the time when they are made and continue to be true up to the Latest Practicable Date. We have no reason to believe that any statements, information, opinions and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have not, however, conducted any independent verification and in-depth investigation into the information provided by the Company as well as the business and affairs of the Group, the substantial shareholders of the Group, CNBM, CNBMG, Shandong Quanxing, or their respective subsidiaries or associates (if applicable), nor have we considered the taxation implication on the Group or its shareholders. Our opinion is necessarily based on the financial, economic, market, industry-specific and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

The Directors collectively and individually accept full responsibility, including 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 the 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 the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

This letter is issued for the information of the Independent Board Committee and the Independent Shareholders solely in connection with their consideration of the terms of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purposes, without our prior written consent.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion and recommendation in respect of the 2023 Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder, we have taken into consideration the following principal factors and reasons:

1. Information on the Group

1.1 Business of the Group

As disclosed in the Letter from the Board, the Company is a public limited company incorporated in Cayman Islands. It engages in the production of clinker, cement and concrete in the PRC. Shandong Shanshui is a limited liability company incorporated in the PRC and is engaged in investment holding. It is the Company's main operating entity and indirect wholly-owned subsidiary.

According to the Annual Report 2021, Shandong Shanshui is one of the 12 national large-scale cement enterprises with national key support. At present, Shandong Shanshui has 115 subsidiaries spreading across more than ten provinces including Shandong, Liaoning, Shanxi, Inner Mongolia and Xinjiang.

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According to the Results Announcement 2022, the Group had a total production capacity of approximately 91.95 million tonnes of cement, approximately 50.22 million tonnes of clinker, and approximately 18.1 million cubic meters of concrete as at 31 December 2022. During FY2022, the Group's total sales volume of cement and clinker were approximately 55,205,000 tonnes, representing a decrease of approximately 14.0% as compared to that of FY2021.

1.2 *Financial performance of the Group*

Set out below is a summary of the Group's operating results as extracted from the Annual Report 2021 and the Results Announcement 2022:

	For the year ended 31 December	
	2021	2022
	RMB'000	RMB'000
	(audited)	(audited)
Revenue		
– Sales of cement	20,137,864	17,161,832
– Sales of clinker	2,381,060	2,337,728
– Sales of concrete	1,509,257	1,403,513
– Sales of other products	631,363	585,886
	<u>24,659,544</u>	<u>21,488,959</u>
Gross profit	7,259,549	4,229,850
Gross profit margin	29.4%	19.7%
Profit attributable to equity shareholders of the Company	2,777,298	748,702

For the years ended 31 December 2021 and 2022, the Group mainly generated revenue from the production and sales of cement, clinker, and concrete. According to the Results Announcement 2022, the sales revenue in Shandong Region was approximately RMB13,645.5 million for the year ended 31 December 2022 (“FY2022”), accounting for approximately 63.5% of the Group's total sales revenue and representing a decrease of 14.2% as compared to that of FY2021. Sales revenue in Northeast China Region, Shanxi Region and Xinjiang Region accounted for approximately 22.3%, 12.1% and 2.1%, respectively, of the Group's total sales revenue in FY2022.

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Comparison of financial performance between the year ended 31 December 2021 and 2022

According to the Results Announcement 2022, the Group's revenue decreased from approximately RMB24,659.5 million in FY2021 to approximately RMB21,489.0 million in FY2022, which was mainly attributable to the decrease in revenue generated from the sales of cement. The decrease in revenue generated from the sales of cement was mainly due to the decrease in sales volume. As advised by the management of the Company, the sales volume of cement decreased from approximately 55.8 million tonnes in FY2021 to 47.6 million tonnes in FY2022, representing a year-over-year ("YOY") decrease of approximately 14.7%.

The Group's gross profit decreased from approximately RMB7,259.5 million in FY2021 to approximately RMB4,229.9 million in FY2022 mainly attributable to the decrease in the sales volume of cement and clinker, which was in line with the decrease in the Group's revenue. The Group's gross profit margin decreased from approximately 29.4% in FY2021 to approximately 19.7% in FY2022, which was mainly attributable to the increase in cost of raw materials and coal.

The Group's profit attributable to equity shareholders of the Company decreased from approximately RMB2,777.3 million in FY2021 to approximately RMB748.7 million in FY2022, representing a decrease of approximately 73.0%, which was mainly due to the decrease in revenue and gross profit for the year.

1.3 *Business outlook*

Demands for cement and clinker are highly correlated to the level of construction activities in China. In 2022, due to the spread of the domestic pandemic, lockdown policies, weak macroeconomic environment, and the decline in real estate investment across the country, the demand for the basic building materials sector contracted. According to the National Bureau of Statistics (the “NBS”), investment in property development amounted to approximately RMB13.3 trillion in 2022, representing a YoY decline of approximately 10.0%, while investment in infrastructure remained growing and increased by approximately 9.4% compared with that of 2021. The newly constructed area in the real estate sector decreased by approximately 39.4% in 2022. According to the Statistical Communique of the People’s Republic of China on the 2022 National Economic and Social Development*《中華人民共和國2022年國民經濟和社會發展統計公報》published by the NBS on 28 February 2023, the national cement output amounted to approximately 2.13 billion tonnes in 2022, representing a YoY decrease of 10.5%. In 2022, the purchase price of the raw and fuel materials remained high, and the production cost increased significantly. Cement’s average selling price and volume also faced downside risks due to the increased exposure to property construction and squeezing margins. According to the China’s Cement Economy in 2022 and Outlook for 2023*《2022年中國水泥經濟運行及2023年展望》published by Digital Cement, which is an information provider for the cement industry in China, in January 2023, the average market price of cement was RMB466 per tonne in 2022, representing a YoY decline of 4.2% from 2021. As disclosed in the Results Announcement 2022, the price of cement market throughout 2022 was in a fully declining tendency, while the price of coal as raw material rose from the beginning to the end of 2022. With the decrease in both sales volume and prices as well as high production costs, the cement industry has experienced a significant decline in profits. Cement industry profit was estimated to be approximately RMB68 billion in 2022, RMB100 billion less than that of 2021, representing a YoY decrease of about 60%.

According to the website of China Cement Net*(中國水泥網), which is an information provider for the cement industry in China, the national cement price index (CEMPI, computed based on the weighted average cement market price collected from 148 major suppliers of the cement industry in China) decreased from approximately 180 points in January 2022 to 140 points in December 2022, representing a decline of approximately 22.2%.

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Pursuant to the Measures for the Implementation of Capacity Replacement in the Cement and Glass Industries* (《水泥玻璃行業產能置換實施辦法》) published in July 2021 by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部), to further mitigate the problem of excess production capacity of the cement industry, cement manufacturers would be required to alleviate outdated or excess capacity or to replace it with effective and legitimate new capacity. At the same time, restriction on new capacity has become more stringent. Furthermore in November 2022, four central government agencies of the PRC jointly released the Action Plan to the Construction Materials Industry* (《建材行業碳達峰實施方案》), strengthening control of overcapacity, promoting staggered production of cement, cutting carbon dioxide emission, supporting harmless processing of waste, and reducing the energy consumption of cement clinker production by more than 3% during the 14th five-year plan period (i.e. 2021-2025).

The lockdown and zero-covid policies have been lifted and additional support measures were announced for the real estate sector at the end of 2022. According to the China's Cement Economy in 2022 and Outlook for 2023* (《2022年中國水泥經濟運行及2023年展望》) published by the Digital Cement in January 2023, the demand for cement is expected to stabilize in 2023 due to a gradual economic reopening, additional support for real estate, and a modest increase in infrastructure spending.

2. Information of CNBM, CNBMG, and Shandong Quanxing

According to the Letter from the Board, CNBM is a leading building materials company in the PRC with significant operations in the cement, new materials and engineering services businesses, with its shares listed on the Stock Exchange (stock code: 3323). It is a substantial shareholder of the Company. Its controlling shareholder and ultimate beneficial owner is CNBMG, a state-owned limited liability company incorporated in the PRC which is engaged in the business of building materials in the PRC. Shandong Quanxing is a limited liability company incorporated in the PRC, and is engaged in the business of the operations of cement, sandstone and aggregate products under the “Shenfeng” and “Quanxing” brands, the production and processing of cement products, and provision of cement technology services. It is a 30%-controlled company (as defined under Chapter 14A of the Listing Rules) of CNBMG. Its ultimate beneficial owner is Shandong Quanxing Energy Group Co., Ltd., a state-owned company incorporated in the PRC.

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3. Principal terms of the 2023 Framework Agreements

3.1 2023 Mine Development Services Framework Agreement

Details of the 2023 Mine Development Services Framework Agreement are set out in the Letter from the Board. The principal terms and conditions of the 2023 Mine Development Services Framework Agreement are as follows:

3.1.1 Date

21 April 2023

3.1.2 Parties

- (i) Shandong Shanshui
- (ii) CNBMG

3.1.3 Scope of transactions

Provision of mine development, maintenance and related engineering services by CNBMG Group to the Group

3.1.4 Term

From the Effective Date to 31 May 2024 (both days inclusive)

3.1.5 Basis of pricing

The price of the services will be determined through a tender or quotation process, and will depend on the result of the tender or quotation (as the case may be) if CNBM wins the tender or quotation (as the case may be). The Group will use (i) the method of public tender for projects that are commoditised and/or standardised, (ii) the method of selective tender for projects that are non-standardised, relatively specific, require detailed communications with the suppliers on technological aspects of the project, with fewer potential bidders and/or the project timetable is rather urgent, and (iii) the method of request for quotation for projects in which the supply requested is of a smaller scale and/or of a unique quality and there is a lack of competition, the Group has already used public tender recently and/or the market prices for the raw materials involved are relatively stable.

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The pricing procedures are as follows:

- **Public tender:** When using the method of public tender, a tender committee will be established by the procurement and supply management department at Group level, comprising relevant experts from the requesting entity, the corresponding operating region, the mining management office under the development and technology department at Group level, the legal department at Group level and the audit department at Group level. The tender committee will review the tender documents and technical requirements and publish a tender notice via an online platform (e.g., Alibaba). The public tender process will need to have at least three valid tenders. The tender committee will review each tender and provide its feedback based on a number of factors including the participant's quality, costs, timing and services. After the procurement and supply management department at Group level consolidates all relevant feedback, it will prepare a tender award request (including the relevant documents such as feedback on the tender, proposed tender participant to be awarded the tender, pricing comparison list and pricing quotation list) and submit it to the vice president of the procurement and supply department at Group level for approval.
- **Selective tender:** The method of selective tender is similar to a public tender, with the key difference being that there is no public tender via an online platform, and participants shortlisted by the procurement and supply management department at Group level (on the recommendation of the tender committee) join the tender by way of invitation.
- **Request for quotation:** When using the method of request for quotation, the procurement and supply management department at Group level will shortlist suppliers, based on their quality, from the Group's supplier database and invite these suppliers to provide quotations. After the mining management office under the development and technology department at Group level and the legal department at Group level review the quotation and provide their feedback, the procurement and supply management department at Group level will prepare an award request (including the relevant documents such as feedback on the quotation, pricing comparison list and pricing quotation list) to be submitted to the vice president of the procurement and supply department at Group level for approval.

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If CNBMG Group wins the tender or quotation (as the case may be), the exact price will be determined based on the specific work involved for the project, after the actual costs of CNBMG Group have been ascertained by the Group's technical personnel. The prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets.

We have obtained and reviewed the Supply Management Measure (Trial)* (《採供管理辦法(試行)》) (the “**Measure**”) adopted by the Group in July 2020 and noted that (i) the procedures of determination of pricing by public and selective tender was included detailly in the Measure; (ii) roles of each tender committee member were included in the Measure, where (a) the procurement and supply management department at Group level would be responsible for organising the whole tendering process, (b) audit department at Group level would be responsible for monitoring the whole tendering process, (c) the legal department at Group level would be responsible for reviewing the bidders' qualifications, and (d) other relevant parties such as representatives from operating regions would be responsible for technical and operational review; (iii) the tender documents would be collected and consolidated by the procurement and supply management department at Group level and submitted to the tender committee for review and comments; and (iv) a tender award request, together with relevant documents, would be prepared by the procurement and supply management department at Group level after consolidating feedbacks and comments from different department, and submitted to the vice president of the procurement and supply department for approval. We have obtained and reviewed sample tender documents and noted that (i) more than three valid tenders were collected during the tender process; (ii) the tendering process was organized by the procurement and supply management department at Group level, and monitored and reviewed by the audit department and legal department; and (iii) the tender result was approved by the vice president of the procurement and supply department at Group level. Further, we have obtained and reviewed samples of the supply procurement proposals submitted to and approved by the vice president of the procurement and supply department and noted that (i) the background of the potential suppliers and details of price inquiry process including but not limited to the composition of prices quoted, the basis of price determination and the reasons for the difference between the current quoted prices and historical prices of similar services are included in the proposals; (ii) comments from different departments and business units such as the development and technology department, production management department, legal department, and audit department were consolidated and included in the proposals and (iii) the quotations, pricing mechanism, and major terms were included in the proposal for review and approval. In view of the above, we concur with the Directors' view that the pricing procedures and mechanism and the internal control measure carried out are effective and sufficient to ensure the pricing of transactions contemplated under the 2023 Mine Development Services Framework Agreement to be on normal commercial terms.

3.2 2023 Engineering and Technical Services Framework Agreement

Details of the 2023 Engineering and Technical Services Framework Agreement are set out in the Letter from the Board. The principal terms and conditions of the 2023 Engineering and Technical Services Framework Agreement are as follows:

3.2.1 Date

21 April 2023

3.2.2 Parties

- (i) Shandong Shanshui
- (ii) CNBMG

3.2.3 Scope of transactions

Provision of engineering services (including design, construction and technical upgrade services) and technical services (including inspection and product specification comparison services) by CNBMG Group to the Group

3.2.4 Term

From the Effective Date to 31 May 2024 (both days inclusive)

3.2.5 Basis of pricing

The price of the services (other than inspection services) will be determined through a tender or quotation process, and will depend on the result of the tender or quotation (as the case may be) if CNBM wins the tender or quotation (as the case may be). The Group will use (i) the method of public tender for projects that are commoditised and/or standardised, (ii) the method of selective tender for projects that are non-standardised, relatively specific, require detailed communications with the suppliers as on technological aspects of the project, with fewer potential bidders and/or the project timetable is rather urgent, and (iii) the method of request for quotation for projects in which the supply requested is of a smaller scale and/or of a unique quality and there is a lack of competition, the Group has already used public tender recently and/or the market prices for the raw materials involved are relatively stable.

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In ensuring that the pricing is on normal commercial terms, the Group follows the following grid in determining its internal department that will run the pricing process and approve the final result:

Monetary amount involved	Unit that will run the tender/quotation process	Unit that will approve the final result
Less than RMB1,000,000	Procurement and supply management department at subsidiary (or branch) level	General manager at subsidiary (or branch) level
RMB1,000,000 or above but below RMB2,000,000	Procurement and supply management office at operating region level	General manager at operating region level
RMB2,000,000 and above	Procurement and supply management department at Group level	Vice president of the procurement and supply management department at Group level

The pricing procedures are as follows:

- **Public tender:** When using the method of public tender, a tender committee will be established by the unit running the tender process (in accordance with the requisite levels as set out in the preceding sub-paragraph above), comprising experts from the production, technology, legal and audit departments at the corresponding corporate level. The tender committee will review the tender documents and technical requirements and publish a tender notice via an online platform (e.g., Alibaba). The public tender process will need to have at least three valid tenders. The tender committee will review each tender and provide its feedback based on a number of factors including the participant's quality, costs, timing and services. After the unit running the tender process (depending on the requisite levels as set out in the preceding sub-paragraph above) consolidates all relevant feedback, it will prepare a tender award request (including the relevant documents such as feedback on the tender, proposed tender participant to be awarded the tender, pricing comparison list and pricing quotation list) and submit it to the head of the corresponding unit for approval.

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- **Selective tender:** The method of selective tender is similar to a public tender, with the key difference being that there is no public tender via an online platform, and participants shortlisted by the unit running the quotation process (in accordance with the requisite levels as set out in the preceding sub-paragraph above) (on the recommendation of the tender committee) join the tender by way of invitation.
- **Request for quotation:** When using the method of request for quotation, the unit running the quotation process (in accordance with the requisite levels as set out in the preceding sub-paragraph above) will shortlist suppliers, based on their quality, from the Group's supplier database and invite these suppliers to provide quotations. After the production, technology and legal departments at the corresponding corporate level review the quotation and provide their feedback, the unit running the quotation process (in accordance with the requisite levels as set out above) will prepare an award request (including the relevant documents such as feedback on the quotation, pricing comparison list and pricing quotation list) to be submitted to the head of the corresponding unit for approval.

The price of the inspection services will be determined based on the prices prescribed by the National Quality Supervision and Testing Center for Cement from time to time.

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We have obtained and reviewed the Measure adopted by the Group in July 2020 and noted that (i) the procedures of determination of pricing by public and selective tender was included detailly in the Measure; (ii) roles of each tender committee member were included in the Measure, where (a) the procurement and supply management department would be responsible for organising the whole tendering process, (b) audit department would be responsible for monitoring the whole tendering process, (c) the legal department would be responsible for reviewing the bidders' qualifications, and (d) other relevant parties such as representatives from operating regions would be responsible for technical and operational review; (iii) the tender documents would be collected and consolidated by the procurement and supply management department and submitted to the tender committee for review and comments; and (iv) a tender award request, together with relevant documents would be prepared by the procurement and supply management department after consolidating feedbacks and comments from different department, and submitted to the designated approvers for approval. We have obtained and reviewed sample tender documents and noted that (i) more than three valid tenders were collected during the tender process; (ii) the tendering process was organized by the procurement and supply management department, and monitored and reviewed by the audit department and legal department; (iii) the tender result was approved by the designated approvers according to the scale of the projects. Further, we have obtained and reviewed samples of the supply procurement proposals submitted to and approved by the designated approvers and noted that (i) the background of the potential suppliers and details of price inquiry process including but not limited to the composition of prices quoted, the basis of price determination and the reasons for the difference between the current quoted prices and historical prices of similar services are included in the proposals; (ii) comments from different departments and business units such as the development and technology department, quality control department, legal department and audit department were consolidated and included in the proposals and (iii) the quotations and draft agreements were attached in the proposal for review and approval. In view of the above, we concur with the Directors' view that the pricing procedures and mechanism and the internal control measure carried out are effective and sufficient to ensure the pricing of transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement to be on normal commercial terms.

3.3 2023 Clinker and Cement Transactions Framework Agreements

Details of the 2023 Clinker and Cement Transactions Framework Agreements are set out in the Letter from the Board. The principal terms and conditions of 2023 Clinker and Cement Transactions Framework Agreements are as follows:

3.3.1 2023 CNBMG Clinker and Cement Transactions Framework Agreement

3.3.1.1 Date

21 April 2023

3.3.1.2 Parties

- (i) Shandong Shanshui
- (ii) CNBMG

3.3.1.3 Scope of transactions

Sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and CNBMG Group

3.3.1.4 Term

From the Effective Date to 31 May 2024 (both days inclusive)

3.3.1.5 Basis of pricing

The price of the clinker and cement (including aggregate and commercial concrete) purchased from and sold to CNBMG Group will be determined with reference to the quotation from other clinker and cement companies in the nearby area through price inquiry, and determine the price based on comparing the quotes obtained.

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3.3.2 2023 Shandong Quanxing Clinker and Cement Transactions Framework Agreement

3.3.2.1 Date

21 April 2023

3.3.2.2 Parties

- (i) Shandong Shanshui
- (ii) Shandong Quanxing

3.3.2.3 Scope of transactions

Sale and purchase of clinker and cement (including aggregate and commercial concrete) between the Group and Shandong Quanxing's subsidiaries, Shandong Quanxing Cement Co., Ltd. and Shandong Shenfeng Cement Co., Ltd.

3.3.2.4 Term

From the Effective Date to 31 May 2024 (both days inclusive)

3.3.2.5 Basis of pricing

The price of the clinker and cement (including aggregate and commercial concrete) purchased from and sold to Shandong Quanxing's subsidiaries will be determined with reference to the quotation from other clinker and cement companies in the nearby area through price inquiry, and determine the price based on comparing the quotes obtained.

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We have obtained and reviewed sample supply procurement proposals in relation to purchase of clinker and cement from CNBMG Group and noted that (i) the requisition of purchase of clinker and cement is initiated by the responsible person in production department monthly and approved by the general manager; (ii) quotation is made and the relevant details such as the terms of agreement, the background of potential suppliers, price inquiry process including but not limited to the composition of prices quoted, the basis of price determination and the reasons for the difference between the current quoted prices and historical prices of similar services are included in the price approval form and approved by the procurement and supply management department and other designated approvers; (iii) comments from different departments and business units are consolidated in the proposal; and (iv) the quotations and draft agreements are attached in the proposal for review and approval. In view of the above, we concur with the Directors' view that the pricing procedures and mechanism and the internal control measure carried out are effective and sufficient to ensure the pricing of transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements to be on normal commercial terms.

4. Reasons for and benefits of entering into the 2023 Framework Agreements

According to the Letter from the Board, the Board considers that the 2023 Framework Agreements will bring the following benefits to the Company:

4.1 2023 Mine Development Services Framework Agreement

According to the Letter from the Board, to support the Company's day-to-day operations, the Company will need to extract limestones to serve as raw materials for its cement production. To ensure safe and proper extraction of limestones, mine development, maintenance and related engineering services are necessary. Local environmental laws also require the land conditions of the extraction sites to be restored during the extraction process.

Compared to other companies the Company has previously cooperated with, CNBMG possesses competitive advantages on its mining technology, management standards and infrastructure construction qualities in terms of its (i) market profile, (ii) technological capabilities, (iii) compliance with state environmental laws and (iv) cost efficiency, as evidenced by the following qualities and achievements of its subsidiary and engineering services provider unit, CNBM:

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- CNBM is a tier-one service provider in the mining construction in the Chinese mining industry measured by aggregate contracted project value, an industry standard established by the Ministry of Housing and Urban-Rural Development of the PRC. CNBM has been engaged in limestone development and extraction projects for (i) an overwhelming majority of the cement corporations in China and (ii) various other overseas cement corporations;
- CNBM has the technology and expertise in mining to utilise limestones of both superior and sub-par qualities, thereby maximising the utilisation rate of limestones extracted. In addition, CNBM meets the requirements of the local governments and authorities, thereby avoiding the risk of suspension and rectification in production as a result of non-compliant mining; and
- CNBM has established and implemented a strict policy and adheres to the concept of “Simultaneous Mining, Maintenance and Green-mining Construction” (“邊開採、邊治理、邊進行綠色礦山建設”) to ensure the land conditions of the extraction sites are restored simultaneously during the extraction process, thereby reducing the risk of suspension and rectification in production as a result of non-compliant mining and reducing the need for investment in “green-mining” projects and minimising the overall restoration costs for extraction sites. According to the 2021 Environmental, Social and Governance Report of CNBM, CNBM’s mining activity is carried out according to the Convention on Green Mine. The mining process is required to be scientific and orderly, in order to strictly control the impacts on mining areas and the surrounding environment and to protect ecological environment. CNBM carries out ecological restoration swiftly after the mining is completed. By the end of 2021, the Group had constructed 44 national level green mines and 75 green mines at other levels.

In light of the above, the Board believes that the Company can leverage on CNBMG’s strengths to:

- enhance the mine development, maintenance and related engineering services quality of the Company;
- ensure (i) compliance with local environmental laws for simultaneous restoration of the land conditions of extraction sites and (ii) minimal restoration costs as a result of CNBM’s strict policy for simultaneous restoration; and
- lower its overall production cost as a result of the mixed utilisation of limestones of both superior and sub-par qualities.

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We have reviewed the Green Mine Construction Specifications of Cement Limestone Industry* (《水泥灰岩綠色礦山建設規範》), an industry standard issued by the Ministry of Natural Resources of the PRC, and noted that restoration of extraction sites during the extraction process was required. We further noted that CNBM has participated in the drafting of the industry standards including but not limited to the Green Mine Construction Specifications of Cement Limestone Industry, which signified the recognition of CNBM in the mining industry and its technology capability. Moreover, according to the annual report of CNBM for the year ended 31 December 2021, we noted that the CNBM's group or associates have won a number of honorary awards such as the "Manufacturing Industry Champion Demonstration Enterprise" awarded by the Ministry of Industry and Information Technology of the PRC; the "State-owned Key Enterprise Management Enhancement Benchmarking and Innovation Benchmarking Enterprise" and the only one in the industry to win the Asian Quality Award, the highest award in the field, and an A- rating from S&P, the world's top rating institution; the "Benchmarking Enterprise of Management Benchmarking Action of State-owned Key Enterprises". In 2021, CNBM's group was included in the "Central Enterprises' ESG • Pioneer 50 Index", achieved the Second Prize of the Sell-side Company with the Greatest Social Responsibility in the Elementary Raw Materials Section in Asia-Pacific Region elected by institutional investors in 2021. As at the end of 2021, there were a total of 11,000 valid patents, and CNBM won 8 national science and technology-related awards and 2 individual champions of the manufacturing industry.

Considering that (i) limestones are one of the major raw materials for the production of cement by the Group and the Group is principally engaged in the production and sales of cement, clinker, and concrete; (ii) established business relationship between the Company and CNBMG and the satisfactory performance during the past cooperation would facilitate continuous business cooperation in the future; (iii) the mining process adopted by CNBMG Group was in line with the relevant environmental laws; (iv) related technology and expertise possessed by the CNBMG Group; and (v) the basis of pricing and terms under the 2023 Mine Development Services Framework Agreement are on normal commercial terms and are fair and reasonable, we concur with the Directors' view that the entering into of the 2023 Mine Development Service Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and the transaction contemplated thereunder are conducted in the ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

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4.2 2023 Engineering and Technical Services Framework Agreement

According to the Letter from the Board, from time to time, the Company requires (i) design services when it establishes new production lines, (ii) technical upgrade services when it decides to improve the quality and scale of its cement production and (iii) technical services in compliance with environmental and safety regulations and for purposes of participating in routine specification comparison inspections conducted by state authorities in accordance with cement industry regulations.

Compared to other service providers, CNBMG possesses competitive advantages in the provision of engineering and technical services in terms of its (i) scale, (ii) technological capabilities and (iii) cost-to-performance ratio of its upgrade services, as evidenced by the following qualities and achievements of CNBMG:

- CNBMG is the largest and market-leading integrated building materials developer and service provider in the world in terms of scale. According to the publication from China Building Materials Enterprise Management Associate in November 2021, CNBMG ranked the first among the top 500 building materials companies in China;
- CNBMG Group has 26 national scientific research and design institutes, 38,000 scientific research and development and technical engineering employees, 55 national industrial quality inspection centres, more than 21,000 patents, 3 national key laboratories, 8 national engineering (technology) research centres and 19 national standardisation technical committees. We have reviewed the official website of CNBMG and noted that the abovementioned qualifications were stated. We further noted that CNBMG Group had modified 33 international standards and ISO 10119:2020 – Carbon Fibre – Determination of Density led by CNBMG Group is the first international standard of carbon fibre led by China;
- CNBMG Group owns 7 first class State Science and Technology Progress Awards and 4 China Grand Awards for Industry; and
- CNBMG is able to provide engineering services on at a higher cost-to-performance ratio compared with its competitors. We have reviewed the sustainability report for the year ended 31 December 2021 issued by CNBMG and understood that CNBMG Group adopted an intelligent production and operation model which advocated boosting production and operation efficiency. The advanced technology of CNBMG Group lowered the energy consumption, including coal and electricity, in cement production progress. The coal consumption from production of clinker decreased from 99.98kgce/t to 93.8kgce/t and the electric consumption decreased from 49.01kw·h/t to 45kw·h/t since the introduction of the intelligent factories.

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In light of the above, the Board believes that the Company can leverage on CNBMG's strength to ensure its engineering quality, increase production quality and volume, ensure stable operations, thereby increasing overall revenue for the Group.

We have discussed with the management of the Company and understood that cement production process involves a number of steps which include but not limited to raw materials quarrying, raw materials crushing, raw meal preparation and clinker calcination. Such production steps involve different types of complex facilities and machinery such as crushers, grinders and grate coolers. Therefore, the establishment of new production lines as well as the technical upgrade of cement production require the engagement of qualified engineers to ensure the facilities and machinery are well-equipped for the production processes to be carried out with high and stable efficiency, quality and safety.

Further, we have reviewed the Notice of the Enhancement of Quality Control Capability of Cement* (《關於提升水泥質量保障能力的通知》) issued by the Ministry of Industry and Information Technology of the PRC (中華人民共和國工業和信息化部) and the Quality Control Regulations for Cement Manufacturer (《水泥生產企業質量管理規程》) published by the China Building Materials Federation (中國建築材料聯合會), and noted that regular quality inspections are required to be conducted on cement manufacturers by qualified inspection centres.

According to the interim report of CNBM for the six months ended 30 June 2022, the layout of its international business has been steadily promoted, and projects in Bosnia and Herzegovina, Thailand and Uzbekistan have proceeded smoothly. Coupled with the awards and titles won by the CNBMG Group discussed in the subsection headed "4.1 2023 Mine Development Services Framework Agreement", the competitive advantages possessed by CNBMG Group were well supported. We also noted from the official website of CNBMG that they possess Grade-A design certificate issued by the PRC Ministry of Construction in areas of building materials, architectural engineering, environmental engineering and engineering, procurement and construction ("EPC") services, which are required for providing engineering design and EPC services in China.

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Considering that (i) the engagement of qualified engineers is required for the design, engineering and technical upgrade of the cement production lines of the Group; (ii) regular quality inspection is required to be conducted on cement manufacturers by qualified inspection centres; (iii) CNBMG Group possessed a number of comparative advantages including but not limited to its technological capabilities as well as the global recognition; (iv) CNBMG Group has 55 national industrial quality inspection centres which are qualified inspection centers under the relevant rules; and (v) the basis of pricing and terms under the 2023 Engineering and Technical Services Framework Agreement are on normal commercial terms and are fair and reasonable, we concur with the Directors' view that the entering into of the 2023 Engineering and Technical Services Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned, and the transaction contemplated thereunder are conducted in the ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

4.3 2023 Clinker and Cement Transactions Framework Agreements

4.3.1 Purchase of clinker and cement from CNBMG's group companies and its affiliates

According to the Letter from the Board, from time to time, various clinker and cement companies in the Group in the Western Shandong Province, Southern Shandong Province and Northeastern China (collectively, the “**Deficit Regions**”) experienced deficit in clinker and cement supply. In addition, for some of the Group's operations, the closest clinker and cement production unit within the Group are still distant. This means for such operations, it will not be cost-efficient to rely on internal supply of clinker and cement, as this will result in higher transportation costs which may take up a significant portion of the overall cement production cost. Meanwhile, some of the CNBMG Group and its affiliates are geographically close to the clinker and cement companies in the Group within the Deficit Regions.

The Board believes that purchasing clinker and cement from such CNBMG Group and its affiliates can bring the following benefits to the Company:

- (i) reducing the overall procurement and transportation costs for the Group in the Deficit Regions; and
- (ii) the clinker and cement produced by CNBMG Group and its affiliates are reliable and of high quality, as evidenced by CNBMG Group and its affiliates being consistently named as one of the designated clinker and cement suppliers for large scale projects in the cement industry and key national cement projects.

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4.3.2 Sale of clinker and cement to CNBMG Group companies and its affiliates

According to the Letter from the Board, CNBMG Group and its affiliates have similar transportation costs concerns due to the lack of geographical proximity among certain of their clinker and cement production units and clinker and cement companies, and therefore would need to purchase clinker and cement from suppliers in closer proximity from time to time.

The Group owns clinker and cement production units that are close to quite a few clinker and cement companies within CNBMG Group and by selling clinker and cement to CNBMG Group and its affiliates, the Board believes that the Company can increase its overall sales volume, thereby effectively generating higher revenue and profits.

Based on the abovementioned reasons, the Company believes that entering into such transactions with CNBMG Group and its affiliates will be beneficial to the Group.

We have scrutinized the breakdown of Clinker and Cement Transactions for the three years ended 31 December 2022 and performed desktop search on the location of the clinker and cement production units of the Group and the CNBMG Group and its affiliates on selected material transactions and noted that the transacted parties are mainly located in the same or adjacent cities. By purchasing clinker and cement from CNBMG Group and its affiliates, the Company could reduce the transportation cost (which are often borne by customers) and improve its cost efficiency. Besides, the comparative advantages in geographical proximity could enable the Company to generate considerable revenue and profits by selling clinker and cement to CNBMG Group and its affiliates. Therefore, we concur with the Directors' view that the entering into of the 2023 Clinker and Cement Transactions Framework Agreements is fair and reasonable so far as the Independent Shareholders are concerned, and the transaction contemplated thereunder are conducted in the ordinary and usual course of business and in the interest of the Company and its Shareholders as a whole.

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5. Historical transaction amounts and the proposed annual caps under the 2023 Framework Agreements

5.1 Mine Development Services

5.1.1 Existing annual caps

As disclosed in the Letter from the Board, the existing annual caps in respect of the transactions under the 2021 Framework Agreements were as follows:

Existing annual cap	For the year ended / ending 31 December		
	2021	2022	2023
	(RMB '000)	(RMB '000)	(RMB '000)
Mine Development Services	600,000	702,850	748,370

5.1.2 Historical transaction amounts

As disclosed in the Letter from the Board, the historical transaction amounts in respect of the transactions under the 2021 Mine Development Services Framework Agreement were as follows:

Historical transaction amounts	For the year ended		For the three months ended
	31 December	31 December	31 March
	2021	2022	2023
	(RMB '000)	(RMB '000)	(RMB '000)
Mine Development Services	518,400	608,128	75,422

5.1.3 Proposed annual caps

As disclosed in the Letter from the Board, the proposed annual caps in respect of the transactions contemplated under the 2023 Mine Development Services Framework Agreement have been determined based on:

- (i) the historical fees for the Mine Development Services paid by the Group to CNBMG Group since January 2021;

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- (ii) the expected growth in the Group's corresponding demand for the Mine Development Services from CNBMG Group in 2024, in view of the expected increase in mining and maintenance costs contributed by the five mining sites which have commenced operation upon the completion of infrastructure construction or the application of mining licenses and safety certificate;
- (iii) the prevailing market prices for the provision of similar mine development, maintenance and related engineering services, which are determined with reference to the geological conditions, the surrounding environment and the construction type of the mining area; and
- (iv) a buffer of 10% to cater for any possible unforeseeable circumstances such as (a) obtaining new resources by utilising resource acquisition advantages from CNBMG such as exploration technologies and (b) fluctuation relating to the actual quantity of limestone extracted.

The table below sets out the proposed annual caps in respect of the transactions contemplated under the 2023 Mine Development Services Framework Agreement:

	For the year ending 31 December 2023 <i>(RMB '000)</i>	For the five months ending 31 May 2024 <i>(RMB '000)</i>
Proposed annual cap		
Mine Development Services	748,370	270,020

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company regarding the principal assumptions and basis adopted for determining the proposed annual caps. We understood that the Company has considered the following factors:

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(i) Historical fees

As advised by the management of the Company, there are generally three types of mine development services contemplated under the 2023 Mine Development Services Framework Agreement, namely (i) mining, (ii) maintenance, and (iii) related engineering services, where the transaction amount of mining services contributed the majority of the historical transaction amounts. Mining fee is generally determined based on the unit price per tonne of limestone extracted and the quantity of limestone extracted. We have discussed with the management of the Company and understood that in determining the proposed annual caps, historical unit price per tonne of limestone extracted was considered.

We have obtained 18 agreements entered into by the Group and CNBMG Group for mine development services (the “**Mine Sample Agreements**”), of which 16 are for the provision of mining services, one is for related engineering services, and one is for provision of both mining and maintenance services. Considering that (i) the transaction amounts of samples selected covered over 50% of the total transaction amount for each of the three years ended 31 December 2022; and (ii) the samples selected represent the largest projects in the respective year in terms of transaction amount, we consider the number of samples sufficient, fair and representative. We noted from the historical agreements that while the time, effort, and other costs of extraction of limestone vary among different mining sites, the unit price of limestone extracted varies accordingly, ranged from approximately RMB3.6 to RMB27.0 per tonne as stipulated in the Mine Sample Agreements.

As advised by the management of the Company, for the three months ended 31 March 2023, mine development service fees of approximately RMB75.4 million were incurred. Due to the weather and requirements of normalised off-peak production of cement in various regions in China, the production volume was minimal in the first quarter of 2023, while the peak season would fall in the second to third quarter in 2023. We have also reviewed the Notice on Organizing the Normalised Off-Peak Production of Cement in the Heating Season of 2022-2023* (《關於組織做好2022-2023年採暖季水泥常態化錯峰生產的通知》) published by the Department of Industry and Information Technology of Shandong Province and the Department of Ecology and Environment of Shandong Province, the production of cement is prohibited from mid-November 2022 to mid-March 2023.

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(ii) Increasing demand for Mine development services

We have discussed with the management of the Company and understood that the number of mining sites in which the Group engaged CNBMG Group for Mine Development Services increased from 19 in FY2021 to 22 in FY2022, of which 14, four, one and three were located in Shandong Province, Shanxi Province, Liaoning Province and Xinjiang, respectively. Along with the completion of infrastructure construction or the application of mining licenses and safety certificate of five mining sites, the demand for the Mine Development Services from CNBMG Group is expected to increase.

In assessing whether the proposed annual cap for the year ending 31 December 2023 is fair and reasonable, we have discussed with the management of the Company and were advised that, it is expected (i) the production scale in Pingyin, Shandong Province and Yantai, Shandong Province would be gradually increased by approximately 2 million tonnes per annum and approximately 0.5 million tonnes per annum, respectively, upon the completion of the corresponding infrastructure construction and enhancement work in 2023; and (ii) the application for the mining license and safety certificate for a mining site in Taiyuan, Shanxi Province with production capacity of approximately 0.5 million tonnes per annum, would be completed in early 2023. Accordingly, an additional Mine Development Services fee of approximately RMB46.8 million is expected to be incurred from the year ending 31 December 2023 onwards, with mining fee ranging from RMB12.6 to RMB21.9 per tonne. which was determined with reference to historical mining fee of mining sites with similar geographical and topographical features.

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As for the proposed annual cap for the five months ending 31 May 2024, we have discussed with the management of the Company and were advised that, it is expected that due to the normalized off-peak production arrangement, the Mine Development Services would generally be provided from mid-March to mid-November, thus approximately 35% of the Mine Development Service fee for a year would be incurred for the five months ending 31 May 2024. Further, we understood that (i) a production line of cement aggregates with production capacity of approximately 2.4 million tonnes per annum would be constructed in Linqu, Shandong Province in 2024, and (ii) the application for the mining rights for a mining site in Weishan, Shandong Province, which carries production capacity of approximately 1.5 million tonnes per annum, would be completed in late 2023 or early 2024. Accordingly, an additional mine development service fee of approximately RMB14.3 million is expected to be incurred for the five months ending 31 May 2024, with a mining fee ranging from RMB9.5 to RMB11.4 per tonne. which was determined with reference to historical mining fee of mining sites with similar geographical and topographical features.

As discussed with the management of the Company, except for the additional mine development fees to be incurred as abovementioned, the Mine Development Services fees for the existing mine sites are expected to maintain relatively stable for the year ending 31 December 2023 and the five months ending 31 May 2024.

Considering that (i) there would be additional demand for Mine Development Services in 2023 and 2024 as detailed above; and (ii) the expected mining fees are generally in line with the historical mining fees as stipulated in the Mine Sample Agreements obtained, we are of the view that the basis of determining the additional mine development services fees are fair and reasonable.

(iii) Buffer

As advised by the management of the Company, a buffer of 10% is included in determining the annual caps in order to cater for any possible unforeseeable circumstances such as (i) obtaining new resources by utilising resource acquisition advantages from CNBMG such as exploration technologies and (ii) fluctuation relating to the actual quantity of limestone extracted. Considering that the buffer would provide flexibility to the Company in the event that new mining resources are available to the Company or any other unexpected fluctuations occur, we consider that the buffer applied by the management of the Company to be acceptable.

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Based on the above, we concur with the Directors' view that the proposed annual caps in respect of the transactions contemplated under the 2023 Mine Development Services Framework Agreement are fair and reasonable.

5.2 *Engineering and Technical Services*

5.2.1 *Existing annual caps*

As disclosed in the Letter from the Board, the existing annual caps in respect of the transactions under the 2021 Framework Agreements were as follows:

Existing annual cap	For the year ended / ending 31 December		
	2021	2022	2023
	(RMB '000)	(RMB '000)	(RMB '000)
Engineering and Technical Services	400,000	1,469,885	1,449,351

5.2.2 *Historical transaction amounts*

As disclosed in the Letter from the Board, the historical transaction amounts in respect of the transactions contemplated under the 2021 Engineering and Technical Services Framework Agreement were as follows:

Historical transaction amounts	For the year ended		For the three
	31 December		months ended
	2021	2022	31 March
	(RMB '000)	(RMB '000)	(RMB '000)
Engineering and Technical Services	327,854	526,407	26,551

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5.2.3 Proposed annual caps

As disclosed in the Letter from the Board, the proposed annual caps in respect of the transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement have been determined based on:

- (i) the historical fees for the Engineering and Technical Services paid by the Group to CNBMG Group since January 2021;
- (ii) the expected decrease in the Group's corresponding demand for the Engineering and Technical Services from CNBMG Group for the year ending 31 December 2023, in view of:
 - (A) a delay in progress on the implementation of certain technology upgrade projects and infrastructure projects by the Group due to changes in government policies;
 - (B) upon the completion of the significant technology upgrade projects planned by the Group in Shanxi, the Group notes that different policy requirements are adopted for technology upgrade projects in Shandong, including Selective Catalytic denitrification (SCR) related system. As a result, it is expected that the Group's demand for Engineering and Technical Services for such technology upgrade projects in Shandong will decrease for the year ending 31 December 2023; and
 - (C) the provision of certain Engineering and Technical Services by other selected service providers through a public tender or quotation process;

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- (iii) the expected growth in the Group's corresponding demand for the Engineering and Technical Services from CNBMG Group, in view of the planned construction, relocation and productivity replacement of around 8 significant infrastructure projects (such as clinker production lines and cement grinding production lines) by the Group in response to development in industry policies and the 14th Five Year Plan of the PRC, among which (X) 3 significant infrastructure projects have either commenced or have their implementation confirmed, of which the construction period will be expended to continue into 2023 and 2024, and (Y) 5 significant infrastructure projects are expected to commence in turn between 2023 and 2024. Specific works for these projects may include engineering design, civil construction, machinery and equipment, road and installations, and based on the development pace of these significant infrastructure projects, the Group expects to incur an aggregate transaction amount of approximately RMB773 million and RMB528 million for the year ending 31 December 2023 and for the five months ending 31 May 2024, respectively;
- (iv) the expected increase in corporate environmental costs and labour costs;
- (v) the prevailing cost and expected increase in the cost of raw materials, taking into account of the costs of steel, coal and electricity for the projects implemented by the Group since January 2021; and;
- (vi) the prevailing market prices for the provision of similar engineering and technical services.

The table below sets out the proposed annual caps in respect of the transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement:

Proposed annual cap	For the year ending	For the five months
	31 December 2023	ending 31 May 2024
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Engineering and Technical Services	788,807	527,830

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company regarding the principal assumptions and basis adopted for determining the proposed annual caps. We understood that the Company has considered the following factors:

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(i) Historical fees for the Engineering and Technical Services

According to the Letter from the Board and as advised by the management of the Company, in determining the proposed annual caps, they have taken into account, among others, the historical fees for engineering services paid by the Group to CNBMG Group since January 2021. We have scrutinized the breakdown of Engineering and Technical Services fees payable to CNBMG Group for the three years ended 31 December 2022 and noted that (i) provision of infrastructure services and technical upgrade services contributed over 90% of the respective historical transaction amount of Engineering and Technical Services for the respective year; and (ii) infrastructure services projects generally include (a) engineering design services in the early stage, and (b) construction services which generally include site formation, civil engineering and installation of machinery. Thus, we have obtained 25 samples of infrastructure services and technical upgrade services agreements entered into by the Group and the CNBMG Group, which (i) covered over 50% of the total transaction amount for each of the three years ended 31 December 2022; and (ii) represent the largest projects in the respective year/period in terms of transaction amount. Therefore, we consider the number of samples to be sufficient, fair and representative. Out of the 25 samples of infrastructure services and technical upgrade services agreements we have obtained, two are for the provision of engineering design services, four are for construction services, one is for provision of both design and construction services, and 18 are for technical upgrade services, the details of which were set out below:

- (a) We have obtained and reviewed two samples of historical agreements for engineering design services, in a random basis, and noted that the historical design fee for clinker production line ranged from approximately RMB3.5 million to RMB4.5 million, depending on the scale and type of production line;

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- (b) We have obtained and reviewed four samples of historical agreements for construction services and noted that (i) service fees for the construction of clinker production line were approximately RMB300 million to RMB400 million subject to the scale of the projects; (ii) service fees for bolt-shotcrete support were approximately RMB10 million; and (iii) supervision service fees for cement grinding project were less than RMB1 million. Further, we have conducted independent public search on the price of steel, the major raw materials for construction work, and noted that, by reference to the China Steel Price Index, the price index of steel in China decreased from approximately 131.8 points in January 2022 to approximately 118.3 points in February 2023, representing a decrease of approximately 10.2%, which was mainly due to decreased demand caused by slumped real estate market as well as the raise of interest rate by the Federal Reserve.
- (c) We have obtained and reviewed one sample of historical agreement for both engineering design and construction services and noted that the project involves a full service for cooperative disposal of hazardous waste in cement kilns from design, provision of equipment and systems, installment, supervision, to insurance. The relevant fees amounted to over RMB30 million.
- (d) We have obtained and reviewed 18 samples of historical agreements for technical upgrade services and noted that technical upgrade services mainly include upgrading grate coolers to improve production of clinkers and cooling efficiency; the fees generally ranged from approximately RMB14 million to RMB18 million subject to the size of the projects.

As the basis adopted by the management of the Company in estimating the Engineering and Technical Services fees for potential projects generally coincide with the abovementioned projects, we are of the view that the Engineering and Technical Service fees of the projects estimated by the management of the Company in determining the annual caps of the Engineering and Technical Services are fair and reasonable.

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- (ii) Expected decrease in the demand for Engineering and Technical Services for the year ending 31 December 2023

According to the Letter from the board, there is an expected decrease in the Group's corresponding demand for the Engineering and Technical Services from CNBMG Group for the year ending 31 December 2023, in view of a delay in progress on the implementation of certain technology upgrade projects and infrastructure projects by the Group.

We have discussed with the management of the Company and were advised that certain projects were postponed or cancelled due to various factors including but not limited to the changes in government policies, the industry outlook and the COVID-19 pandemic, among which, two major projects in Zaozhuang and Xinzhou, which were originally expected to be carried out in FY2022 and FY2023, were postponed to 2024. We have reviewed the Announcement on the Transfer of Production Capacity of Jining Shanshui Cement Co., Ltd. and the Production Capacity Replacement of Zaozhuang Shanshui Cement Co., Ltd.* (《關於濟寧山水水泥有限公司產能出讓和棗莊山水水泥有限公司產能置換有關情況的公告》) and the Announcement on the 4,000t/d cement clinker project of Shandong Yishui Shanshui Cement Co., Ltd* (《山東沂水山水水泥4,000t/d水泥熟料項目情況公示》) published by the Department of Industry and Information Technology of Shandong Province and noted that the two replacement plans were expected to be completed in 2024 and we are not aware that there is any new announcements postponing or ceasing the plans. Therefore, the engineering and technical services amounted to over RMB700 million in relation to the abovementioned projects in Zaozhuang and Xinzhou is expected to be incurred in 2024 instead.

Furthermore, as advised by the management of the Company, a number of projects, which had been taken into account when determining the existing annual cap in 2021, had been tendered to other independent service providers instead of the CNBMG Group after the tender process, contributed to a shortfall of approximately RMB95.7 million for the year ended 31 December 2022.

Besides, according to the Letter from the Board, the transactions contemplated under the 2021 Engineering and Technical Services Framework Agreement for the year ended 31 December 2022 amounted to approximately RMB526.4 million, which was significantly lower than the existing annual cap of approximately RMB1,469.9 million for the same year.

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We conducted an independent public search and noted that the production of major building materials decreased due to the resurgence of the COVID-19 pandemic, the lockdown policies, and other unexpected factors. Further, China's economic development faced pressure of shrinking demand, supply shock, and deteriorating market expectations. According to a report briefing the situation of building materials construction industry in 2022 (2022年1-12月建築材料行業運行情況簡報), which was published on the website of Information on China Building Materials* (中國建材信息總網) in February 2023, among the 31 selected building materials, the output of 23 building materials decreased in 2022. Furthermore, revenue and profit of the sizable enterprises in the building materials and non-metallic mining industry, which includes cement, concrete, waterproof building materials, lightweight building materials, bricks, tiles, blocks, stone, glass, clay and sand mining, etc., dropped by 4.2% and 20.4% respectively in 2022 as compared with those of 2021.

Considering (i) the postponement of major projects to 2024 due to various uncontrollable factors; (ii) existence of alternative independent service providers during public tender or quotation process; (iii) the decrease in output of building materials and disruption of construction of engineering and infrastructure projects as a result of the strict control over the pandemic and the prospect of the cement industry in 2023; (ii) the significant shortfall between the existing annual cap and actual transaction amount of the Engineering and Technical Services for the year ended 31 December 2022, we are of the view that the decrease in the annual cap in respect of the Engineering and Technical Services for the year ending 31 December 2023 is fair and reasonable.

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- (iii) Expected growth in the Group's demand for the Engineering and Technical Services in 2024

Existing or confirmed projects

As advised by the management of the Company, there were various major existing projects that were not completed as at 28 February 2023, such as (i) the construction of clinker and grinding production lines in Pingyin, Shandong Province; (ii) the relocation and construction of clinker and grinding production line of Chifeng, Inner Mongolia; (iii) the construction of grinding production lines in Luliang, Shanxi Province; and (iv) certain projects of grate cooler upgrades, etc., which are expected to incur, in aggregate, Engineering and Technical Services fees of approximately RMB148.3 million for the five months ending 31 May 2024. We have obtained and reviewed the agreements for the projects in Pingyin, Shandong Province and Chifeng, Inner Mongolia, which are expected to contribute to approximately RMB115.3 million of Engineering and Technical Service fees during the five months ending 31 May 2024, and noted that details such as the Engineering and Technical Service fees, expected timeline and terms of agreements coincide with the details provided by the management of the Company.

Potential projects

We were provided by the management of the Company with a schedule of potential projects (the "**Potential Project Schedule**") which the management of the Company considered to be probable. According to the Potential Project Schedule, there are 5 potential infrastructure projects which are expected to commence in turn between the year ending 31 December 2023 and the five months ending 31 May 2024, with an estimated Engineering and Technical Service fees of approximately RMB379.5 million to be incurred during the five months ending 31 May 2024.

We have discussed with the management of the Company and understood that they have considered factors such as the Company's business plan of expanding the production capacity of its cement and clinker production, the needs of relocation and construction of new production line according to the local government policies, and construction of production lines with reference to the location of mine resources owned by the Group. As mentioned above, two major projects in Zaozhuang and Xinzhou with Engineering and Technical Services fees amounted to over RMB700 million would be postponed to 2024, out of which approximately RMB348.0 million is expected to be incurred during the five months ending 31 May 2024.

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Based on the above, we concur with the Directors' view that the proposed annual caps in respect of the transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement are fair and reasonable.

5.3 *Clinker and Cement Transactions*

5.3.1 *Existing annual caps*

As disclosed in the Letter from the Board, the existing annual caps in respect of the transactions under the 2021 Framework Agreements were as follows:

Existing annual cap	For the year ended/ ending 31 December		
	2021	2022	2023
	(RMB '000)	(RMB '000)	(RMB '000)
Clinker and Cement Transactions	340,000	340,000	340,000

5.1.4 *Historical transaction amounts*

As disclosed in the Letter from the Board, the historical transaction amounts in respect of the transactions are as follows:

Historical transaction amounts	For the year ended		For the three months ended
	31 December		31 March
	2021	2022	2023
	(RMB '000)	(RMB '000)	(RMB '000)
Clinker and Cement Transactions	128,303	118,468	18,932

5.1.5 *Proposed annual caps*

As disclosed in the Letter from the Board, the proposed annual caps in respect of the transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements have been determined based on:

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- (i) the historical expenditures for the Clinker and Cement Transactions paid by the Group to CNBMG Group and its affiliates and by CNBMG Group and its affiliates to the Group since January 2021;
- (ii) the decline in the market price of cement due to a decrease in the demand for cement, and hence the decline in the expenditures for the Clinker and Cement Transactions paid by the Group and/or the CNBMG Group during the first quarter in 2023;
- (iii) notwithstanding that the actual expenditures for the Clinker and Cement Transactions for the years ended 31 December 2021 and 31 December 2022 were lower than expected due to the impact of COVID-19 outbreak on the real estate sector, the expected gradual increase in the Group's and the CNBMG's demand for the Clinker and Cement Transactions in 2024 in view of the efforts by the local governments to tackle the impact of COVID-19 and an overall downward trend in real estate market, as well as multiple government departments have issued favourable real estate policies; and
- (iv) the (a) cost of raw materials and (b) prevailing market prices for the provision of similar Clinker and Cement.

The table below sets out the proposed annual caps in respect of the transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements:

Proposed annual cap	For the year ending	For the five months
	31 December 2023	ending 31 May 2024
	<i>(RMB '000)</i>	<i>(RMB '000)</i>
Clinker and Cement Transactions	300,000	125,000

In assessing the fairness and reasonableness of the proposed annual caps, we have discussed with the management of the Company regarding the principal assumptions and basis adopted for determining the proposed annual caps. We understood that the Company has considered the following factors:

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(i) Historical expenditures

As advised by the management of the Company, in determining the estimated price of clinker and cement per tonne, they have taken into account (i) historical manufacturing cost including but not limited to cost of coal, direct labour and other manufacturing overheads; (ii) the prevailing market price and (ii) historical purchase or selling price of similar products.

As disclosed in the Letter from the Board and as advised by the management of the Company, the actual expenditures for the Clinker and Cement Transactions for the years ended 31 December 2021 and 31 December 2022 were lower than expected due to the impact of COVID-19 outbreak on the real estate sector. Accordingly, the demand for building materials including cement and clinker contracted. As discussed in the subsection headed “1.3 Business Outlook” of this letter, according to the Statistical Communique of the People’s Republic of China on the 2022 National Economic and Social Development*《中華人民共和國2022年國民經濟和社會發展統計公報》published by the NBS on 28 February 2023, the national cement output amounted to approximately 2.13 billion tonnes in 2022, representing a YoY decrease of 10.5%. Therefore, the historical transaction amounts fell significant behind the existing annual caps for the years ended 31 December 2021 and 2022. We have discussed with the management of the Company that whilst the historical transaction amounts were taken into consideration in determining the proposed annual caps, they considered that the historical transaction amounts were adversely affected by the COVID-19 pandemic and were less representable or indicative of the amounts of Clinker and Cement Transactions in 2023 and 2024, and they believe the demand for clinker and cement would gradually recover along with the favourable real estate policies issued by multiple governments departments.

As further discussed in subsection headed “1.3 Business Outlook” of this letter, the lockdown and zero-covid policies have been lifted and additional support measures were announced for the real estate sector at the end of 2022. According to the China’s Cement Economy in 2022 and Outlook for 2023*《2022年中國水泥經濟運行及2023年展望》published by the Digital Cement in January 2023, the demand for cement is expected to stabilize in 2023 due to a gradual economic reopening, additional support for real estate, and a modest increase in infrastructure spending.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We have scrutinized the breakdown of Clinker and Cement Transactions for the three years ended 31 December 2022 and obtained seven samples of agreements entered into by the Group and the CNBMG Group and its affiliates, which (i) covered over 50% of the total transaction amount for each of the three years ended 31 December 2022; and (ii) represent the largest transactions in the respective year in terms of transaction amount. Therefore, we consider the number of samples to be sufficient, fair and representative. Out of the seven samples of Clinker and Cement Transactions agreements we have obtained, four are in relation to sales of clinker and cement to CNBMG Group and its affiliates (the “**Clinker and Cement Sale Sample Agreements**”) and three are in relation to purchase of clinker and cement from CNBMG Group and its affiliates (the “**Clinker and Cement Purchase Sample Agreements**”). We noted from the Clinker and Cement Sale Sample Agreements that while the production and transportation costs, quality and specification of clinker and cement vary among different locations, the unit selling price of clinker and cement varies accordingly, ranged from approximately RMB330 to RMB390 per tonne. Similarly, as stipulated in the Clinker and Cement Purchase Sample Agreements, the unit purchase price of clinker and cement ranged from approximately RMB310 to RMB480 per tonne.

- (ii) Estimated prices and volume of clinker and cement to be transacted

As discussed in the subsection headed “1.3 Business Outlook” of this letter, according to the China’s Cement Economy in 2022 and Outlook for 2023* 《2022年中國水泥經濟運行及2023年展望》 published by Digital Cement in January 2023, the average market price of cement was RMB466 per tonne in 2022, representing a YoY decline of 4.2% from 2021. Moreover, according to the website of China Cement Net*(中國水泥網), the national cement price index decreased from approximately 180 points in January 2022 to 140 points in December 2022, representing a decline of approximately 22.2%.

In view of the above, the management of the Company adjusted its estimation of the average selling and purchase price downward by approximately 33.3% and 29.1%, as compared with the estimated price the management of the Company based on when determining the annual caps in 2021, which is considered to be more comparable and representable for the determination of the proposed annual caps for the year ending 31 December 2023 and the five months ending 31 May 2024.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

We were provided with a schedule (the “**Estimation Schedule**”) showing the estimated volume of clinker and cement to be purchased from and sold to the CNBMG Group and its affiliates for the year ending 31 December 2023 and the five months ending 31 May 2024, which are relatively stable as compared with those for the years ended 31 December 2021 and 2022. As shown in the Estimation Schedule, the management of the Company estimated that a total of approximately 260,000 tonnes and 108,400 tonnes of clinkers would be purchased from the CNBMG Group and its affiliates, which are located in Shanxi Province and Shandong Province, for the year ending 31 December 2023 and the five months ending 31 May 2024, respectively. Similarly, the management of the Company estimated a total of approximately 530,000 tonnes and 221,000 tonnes of clinkers and cement would be sold to the CNBMG Group and its affiliates, which are located in Shandong Province and Northeast China, for the year ending 31 December 2023 and the five months ending 31 May 2024, respectively. Among the 530,000 tonnes and 221,000 tonnes of clinker and cement to be sold to the CNBMG Group and its affiliates, approximately 270,000 tonnes and 112,600 tonnes are expected to be sold to an affiliate of the CNBMG Group located in Yantai, Shandong Province (the “**Yantai Customer**”) for the year ending 31 December 2023 and the five months ending 31 May 2024, respectively. As advised by the management of the Company, as the Yantai Customer would undergo enhancement of its clinker and cement production lines in 2023 and 2024, the production would be affected and thus the Yantai Customer would purchase clinker and cement from the Company so as to fulfill sales orders to its customers.

With the decrease in the estimated selling and purchase price of clinker and cement, and the relatively stable sale and purchase volume for the year ending 31 December 2023, the management of the Company considered that a downward adjustment in the proposed annual cap from RMB340 million to RMB300 million could better reflect the latest situation of the Clinker and Cement Transactions.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

Considering that (i) the shortfall between the existing annual caps and the historical transaction amounts for the years ended 31 December 2021 and 2022 was mainly attributable to the adverse effect brought by the COVID-19 pandemic; (ii) the demand for clinker and cement is expected to be gradually recovered in 2023 and 2024; (iii) the adjusted selling and purchase prices used in determining the proposed annual caps reflects the latest market sentiment and are more comparable and representable; (iv) the adjusted selling and purchase prices fall within the range of the selling and purchase prices noted from the Clinker and Cement Sale Sample Agreements and Clinker and Cement Purchase Sample Agreements; and (v) the estimated volume of clinker and cement to be purchased from and sold to the CNBMG Group and its affiliates for the year ending 31 December 2023 and the five months ending 31 May 2024 are relatively comparable to those for the years ended 31 December 2021 and 2022, we concur with the Directors' view that the proposed annual caps in respect of the transactions contemplated under the 2023 Clinker and Cement Transaction Framework Agreement are fair and reasonable.

6 Internal control measures

As stated in the Letter from the Board, in order to safeguard the interests of the Shareholders as a whole, the Group has implemented the following internal approval and monitoring procedures in relation to the transactions contemplated under the 2023 Framework Agreements:

- (a) before confirming the pricing and the terms of the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be), the Group will review and consider the basis of pricing in accordance with the pricing principles set out in the section headed "Principal Terms of the 2023 Framework Agreements" in the Letter from the Board;

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (b) the Group has adopted internal guidelines which provide that:
- (i) the procurement and supply department and the finance department of the Company will collate and monitor the transaction amounts of the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) and any relevant information requiring disclosure from the relevant business unit, and report to the Company's management on a monthly basis. We have reviewed nine out of 12 monthly reports prepared by the procurement and supply department and the finance department of the Company and noted that the required internal control procedures were properly implemented. Considering that (i) the monthly reports were obtained on a random basis and spread over each of the four quarters in 2022 and (ii) the monthly reports represent the majority of the reports in FY2022, we consider the number of samples obtained to be sufficient, fair and representative;
 - (ii) Shandong Shanshui's management team is also required to report connected transaction issues to the Board and the Board's Audit Committee on a regular basis, including the categories, transaction amount and rationale of continuing connected transactions conducted during the covered period. We have obtained the reports and noted that details such as the comparison of accumulated transaction amounts with the relevant annual caps, brief discussion on the fluctuation on the transaction amounts in the covered period and the basis of pricing, etc. were reported to the Board and the Board's Audit Committee; and
 - (iii) if the value of any Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) is expected to exceed the annual cap in the next three months, the procurement and supply management department and the finance department of the Company must (i) follow up and report to the Company's management after discussion with the relevant business unit and (ii) commence the necessary additional assessment and approval procedures to ensure that the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules in relation to annual cap; and

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

- (c) the Company will provide information and supporting documents to its independent non-executive Directors and auditors in order for them to conduct an annual review of the continuing connected transactions entered into by the Company. In accordance with the requirements under the Listing Rules, the independent non-executive Directors will provide an annual confirmation to the Board as to whether the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) have been entered into in the ordinary and usual course of business of the Group, are on normal commercial terms and are in accordance with the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole, and the Company will procure that its auditors will provide confirmation to the Board on an annual basis as to whether anything has come to their attention that causes them to believe that the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) have not been approved by the Board, or are not conducted in accordance with the pricing policies of the Group in all material respects, or are not entered into in accordance with the relevant agreement governing the Mine Development Services, the Engineering and Technical Services or the Clinker and Cement Transactions (as the case may be) in all material respects or have exceeded the annual cap applicable to these services.

Having considered that (i) the Company has adopted internal guidelines which provide that the transactions contemplated under the 2023 Framework Agreements shall comply with the applicable requirements under Chapter 14A of the Listing Rule; (ii) a monitoring system is in place where the finance department must follow up and report to the management after discussion with the relevant business unit, and commence the necessary additional assessment and approval procedures; (iii) the transactions contemplated under the 2023 Framework Agreements will be annually reviewed by the independent non-executive Directors and the external auditors of the Company; and (iv) the effective internal control system in place, we are of the view that the internal control measures are adequate and effective in ensuring that the transactions contemplated under the 2023 Framework Agreements will be on normal commercial terms and an effective system have been in place to monitor the annual caps.

LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that (i) each of the 2023 Framework Agreements is entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better; and (ii) the terms of each of the 2023 Framework Agreements and the transactions contemplated thereunder (including the proposed annual caps) are fair and reasonable in so far as the Company and the Independent Shareholders are concerned and in the interests of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the relevant resolutions for approving the 2023 Framework Agreements (together with the proposed annual caps) and the transactions contemplated thereunder at the AGM.

Yours faithfully,
For and on behalf of
Giraffe Capital Limited
Johnson Chen
Managing Director

Mr. Johnson Chen is a licensed person registered with the Securities and Futures Commission and a responsible officer of Giraffe Capital Limited to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities and to undertake work as a sponsor. He has over 15 years of experience in the field of corporate finance advisory.

1. 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.

2. DISCLOSURE OF INTERESTS

(a) Directors' and chief executive's interests and short positions in the securities of the Company and its associated corporations

As at the Latest Practicable Date, none of the Directors or chief executives of the Company had any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations, which would be required to be disclosed to the Company and the Stock Exchange pursuant to the provisions of Divisions 7 and 8 of Part XV of the SFO, or which would be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein, or which would be required to be notified to the Company and the Stock Exchange, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") as contained in Appendix 10 to the Hong Kong Listing Rules.

(b) Substantial Shareholders and other persons' interests in Shares and underlying Shares

As at the Latest Practicable Date, so far as any directors are aware, the interests or short positions owned by the following parties (other than the Directors or chief executive of the Company) in the Shares or underlying shares or debentures of the Company which were recorded in the register of the Company required to be kept under section 336 of the SFO were as follows:

Name of Substantial Shareholder	Capacity	Total Number of Shares held ⁽¹⁾	Approximate percentage of the total number of the issued Shares of the Company ⁽⁶⁾
LI Liufa ^(2a)	Interests of corporations controlled by substantial shareholder	951,462,000 (L)	21.85%

Name of Substantial Shareholder	Capacity	Total Number of Shares held ⁽¹⁾	Approximate percentage of the total number of the issued Shares of the Company ⁽⁶⁾
LI Fengluan ^(2a)	Interests of corporations controlled by substantial shareholder	951,462,000 (L)	21.85%
Tianrui Group Company Limited ^(2a)	Interests of corporations controlled by substantial shareholder	951,462,000 (L)	21.85%
Tianrui (International) Holding Company Limited ^(2a)	Beneficial owner	951,462,000 (L)	21.85%
China Bohai Bank Co., Ltd. Dalian Branch ^(2b)	Security interest in shares	951,462,000 (L)	21.85%
China Shanshui Investment Company Limited ⁽³⁾	Beneficial owner	847,908,316 (L)	19.47%
Asia Cement Corporation ⁽⁴⁾	Interests of corporations controlled by substantial shareholder, beneficial owner, interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO	902,914,315 (L)	20.74%
Yu Yuan Investment Corporation Limited	Beneficial owner, interests of any parties to an agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO ⁽⁵⁾	902,914,315 (L)	20.74%
CNBMG ⁽⁶⁾	Interests of corporations controlled by substantial shareholder	563,190,040 (L)	12.94%
CNBM ⁽⁶⁾	Interests of corporations controlled by substantial shareholder	563,190,040 (L)	12.94%
China Building Material Holdings Co., Limited ⁽⁶⁾	Beneficial owner	563,190,040 (L)	12.94%
Shen Neng International SPC – Green Planet SP ⁽⁷⁾	Beneficial owner	434,897,854(L)	9.99%
Shen Neng Investment Management Limited ⁽⁷⁾	Interests of corporations controlled by substantial shareholder	434,897,854(L)	9.99%

Notes:

- (1) The letter “L” denotes a long position in such Shares.
- (2a) LI Liufa and LI Fengluan (spouse of LI Liufa) owned 70% and 30% respectively of Tianrui Group Company Limited (“**Tianrui Group**”), which owned 100% of Tianrui (International) Holding Company Limited.
- (2b) On 22 March 2016, Tianrui Group Company Limited, the Company’s substantial shareholder, notified the Company that it has pledged 791,000,000 shares of the Company in favor of China Bohai Bank Co., Ltd. (“**Bohai Bank**”) for a bank loan. In addition, according to the Form 2 filed on 8 June 2021 by Bohai Bank, on 25 April 2019, Tianrui Group has pledged an additional 160,462,000 Shares held by it in favour of Bohai Bank pursuant to a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 7 March 2019. According to the Form 2 filed on 25 July 2022, a loan agreement entered into between Tianrui Group (as the borrower) and Bohai Bank (as the lender) on 24 February 2022. Tianrui Group has pledged 951,462,000 shares held by it in favour of Bohai Bank. The aggregate of 951,462,000 Shares which were pledged to Bohai Bank as described above represent all of the Shares of the Company held by Tianrui Group.
- (3) According to the Form 2 filed on 18 November 2014, ZHANG Caikui is the person in accordance with whose directions China Shanshui Investment Company Limited or its directors are accustomed to act.
- (4) The interest in 428,393,000 shares of the Company was held by several direct or indirect subsidiaries of Asia Cement Corporation. The interest in 142,643,000 shares of the Company was held by Yu Yuan Investment Corporation Limited, which is the party to the agreement under Section 317 of the SFO.
- (5) Asia Cement Corporation is the party to the agreement under Section 317 of the SFO.
- (6) CNBM was a controlled corporation of CNBMG, which owned 100% of China Building Material Holdings Co., Limited.
- (7) Shen Neng International SPC – Green Planet SP is wholly owned by Shen Neng Investment Management Limited.
- (8) The number of issued shares of the Company as at the Latest Practicable Date was 4,353,966,228.

3. NO MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since 31 December 2022, being the date up to which the latest published audited consolidated financial statements of the Group were made.

4. DIRECTORS' SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors had entered or was proposing to enter into a service contract with any member of the Group which is not determinable by the Group within one year without payment of compensation, other than statutory compensation.

5. EXPERT

The following is the qualification of the expert who has given opinion or advice which is contained in this circular:

Name	Qualifications
Giraffe Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

The above expert has given and has not withdrawn its written consent to the issue of this circular with the inclusion herein of its letter of advice and/or references to its name in the form and context in which they respectively appear.

As at the Latest Practicable Date, the above expert (i) did not have any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for any securities in any member of the Group; and (ii) did not have any interest, either directly or indirectly, in any assets which have been since 31 December 2022 (being the date up to which the latest published audited consolidated financial statements of the Company were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group.

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or their respective close associates (as defined in the Listing Rules) had any interests in businesses which competed or might compete with the businesses of the Group or had any other conflict of interests with the Group (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them was a controlling shareholder).

7. DIRECTORS' INTEREST IN CONTRACTS AND ASSETS

As at the Latest Practicable Date:

- (a) none of the Directors had any direct or indirect interest in any assets which had been since 31 December 2022 (being the date up to which the latest published audited financial statements of the Group were made) acquired or disposed of by or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group; and
- (b) none of the Directors was materially interested in any contract or arrangement subsisting at the date of this circular and which is significant in relation to the business of the Group.

8. MISCELLANEOUS

- (a) The registered office of the Company is situated at Second Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103, Cayman Islands.
- (b) The company secretary of the Company is Ms. LEE Mei Yi.
- (c) The Company's share registrar and transfer office of the Company in Hong Kong is Computershare Hong Kong Investor Services Limited at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong.
- (d) This circular and the accompanying proxy form have been prepared in both English and Chinese. In the case of any discrepancies, the English texts shall prevail over their respective Chinese texts.

9. DOCUMENTS ON DISPLAY

A copy of each of the 2023 Mine Development Services Framework Agreement, the 2023 Engineering and Technical Services Framework Agreement and the 2023 Clinker and Cement Transactions Framework Agreements will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.sdsunnsygroup.com>) for a period of 14 days from the date of this circular.

Information as required to be disclosed under the Listing Rules on the Directors proposed to be re-elected at the AGM are set out as follows:

Mr. LI Jianwei

Mr. LI Jianwei, aged 49, has been an Independent Non-executive Director of the Company since 23 May 2018 and is the chairman of the Remuneration Committee, a member of the Nomination Committee, the Audit Committee and the Environmental, Social and Governance Committee of the Company. Mr. LI is a Juris Doctor, a professor of Commercial Law at China University of Political Science and Law and a supervisor of doctoral students. He also serves as the director of Department of Law and Commerce of Business School, chairman of Academic Committee of Business School, as well as the secretary general of the Commercial Law Research Society of China Law Society. His main research areas include, among others, civil and commercial law, corporate law, securities law, corporate governance, etc. He is a well-known young and middle-aged company law expert in China who has made outstanding achievements in the research of a broad range of commercial laws including company law, securities law, insurance law, investment fund law and trust law, etc. He worked as a post-doctoral researcher at the Business School of the Renmin University of China from 2002 to 2004, a senior visiting scholar at the Law School of University of The New South Wales, Australia from 2008 to 2009 and a visiting professor at the Law School of The Aoyama Gakuin University in Japan from 2013 to 2015. His past positions also include the executive director and secretary general of the Commercial Law Research Society of China Law Society, executive director of China Association of Business Law, member of the 1st, 2nd and 3rd Hong Kong and Macau Law Committee of Zhuhai Hengqin New Area, member of Expert Advisory Committee of courts such as Guangzhou Intermediate People's Court, and arbitrator of arbitration committees in Beijing, Fuzhou, Changsha, Guangzhou, Zibo, Beihai, Ordos and, Zhuhai, etc and China International Economic and Trade Arbitration Commission. He has been in charge of more than 10 national and provincial level projects, including a chief specialist of significant projects under the National Social Science Fund of China, youth research project under the National Social Science Fund of China, the Humanities and Social Science Fund of the Ministry of Education, rule of law theory projects of the Ministry of Justice and social science projects under Beijing Social Science Fund, etc. He has been in charge of the Youth Research Innovation Team Project of Commercial Law in China University of Political Science and Law for 6 years from 2012 to 2018. He has published more than 200 academic papers in publications such as China Legal Science, Journal of Law and Xinhua Digest, and published more than 10 books and translated works including "A Study of Independent Directors", "Corporate Mechanism, Corporate Management and Corporate Governance" and "Company Law". He has won many awards for research excellence such as the second prize in Dong Biwu Youth Law Achievement Award and the third prize in the 4th China Law Outstanding Achievement Award. As a legal expert, he has successively participated in expert argumentation of a number of legislative and judicial interpretation documents, including, among others, General Principles of Civil Law, Civil Code – Contracts, Company Law, Electronic Commerce Law and Company Law Interpretation (3), (4). He has won the Outstanding Teacher Award of 2011 and Excellent Teacher Award of 2007, 2009, 2010, 2016 of the China University of Political Science and Law. He has

been awarded as one of the Ten Teachers Most Welcomed by Undergraduates in 2006, 2008 and 2010. Mr. LI served as the chairman of the board of Beijing Fangyuan Zhonghe Culture Communication Co., Ltd. (北京方圓眾合教育科技有限公司) from October 2009 to 1 July 2021. In 2015, he obtained the qualification of independent director from the Shanghai Stock Exchange and is currently the independent director of Hanwang Technology Co., Ltd. (漢王科技股份有限公司), whose shares have been listed on the Shenzhen Stock Exchange (Stock Code: 002362) since April 2018, Linksus Digiwork Marketing Communication Co., Ltd. (靈思雲途營銷顧問股份有限公司) whose shares have been listed on the National Equities Exchange and Quotations (Stock Code: 838290) since May 2017, and China Quanjude (Group) Co., Ltd. (中國全聚德(集團)股份有限公司) whose shares are listed on the Shenzhen Stock Exchange (Stock Code: 002186) since 29 December 2018. Mr. LI is currently an independent non-executive director of Jinxin Fertility Group Limited (錦欣生殖醫療集團有限公司), the shares of which are listed on the Main Board of the Stock Exchange (stock code: 1951), since 31 August 2021.

Save as aforesaid, Mr. LI Jianwei did not hold any other position with the Company or other members of the Group and Mr. LI Jianwei did not hold any other directorships in public listed companies in Hong Kong or overseas in the past three years.

Mr. LI Jianwei does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. The director's remuneration of Mr. LI Jianwei as an Independent Non-executive Director under his service contract is not exceeding RMB1 million per annum. The emoluments of Mr. LI Jianwei are determined with reference to salaries paid by comparable companies, his experience, responsibilities and performance.

As at the Latest Practicable Date, Mr. LI Jianwei does not have interests in any Shares within the meaning of Part XV of the SFO.

There is no information which is discloseable nor is/was Mr. LI Jianwei involved in any of the matters required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Mr. LI Jianwei that need to be brought to the attention of the Shareholders.

Mr. HSU You-yuan

Mr. HSU You-yuan, aged 68, has been an Independent Non-Executive Director of the Company since 4 September 2018 and is the chairman of the Nomination Committee and a member of the Audit Committee, the Remuneration Committee and the Environmental, Social and Governance Committee of the Company. Mr. HSU has been the chairman and president of DCH Solargiga GmbH since February 2018 and a non-executive director of Solargiga Energy Holdings Limited (“**Solargiga Energy**”) (Stock Code: 757) since June 2016. Before that, he served as an executive director from 2007 to 2016 and concurrently as the chief executive officer until 2015 of Solargiga Energy. He served as the vice-chairman of Water Works Corp. (“**WWX**”) (Stock Code: 6182.TWO), which is a manufacturer of silicon wafer for the semiconductor industry, from 2003 to 2007 and served as the managing director of WWX from 1998 to 2003. Mr. HSU’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 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 and published the Supply and Demand Models of Cement in Taiwan in the Taiwan Economy (Issue 59 of 1981) of the Economic Planning and Mobilization Council Taiwan Provincial Government. Mr. HSU 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.

Save as aforesaid, Mr. HSU You-yuan did not hold any other position with the Company or other members of the Group and Mr. HSU You-yuan did not hold any other directorships in public listed companies in Hong Kong or overseas in the past three years.

Mr. HSU You-yuan does not have any relationship with any other Directors, senior management or substantial or controlling shareholders of the Company. The director’s remuneration of Mr. HSU You-yuan as an Independent Non-executive Director under his service contract 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, responsibilities and performance.

As at the Latest Practicable Date, Mr. HSU You-yuan does not have interests in any Shares within the meaning of Part XV of the SFO.

There is no information which is discloseable nor is/was Mr. HSU You-yuan involved in any of the matters required to be disclosed pursuant to any of the requirements under Rule 13.51(2)(h) to (v) of the Listing Rules and there are no other matters concerning Mr. HSU You-yuan that need to be brought to the attention of the Shareholders.

The following explanatory statement contains all the information required by the Listing Rules in connection with the Share Buy-back Mandate.

1. LISTING RULES

The Listing Rules permit companies with a primary listing on the Stock Exchange to buy back their shares on the Stock Exchange subject to certain restrictions, the most important of which are summarized below:

- (i) the shares to be bought back by a company must be fully paid-up;
- (ii) the company has previously sent to its shareholders an explanatory statement complying with the Listing Rules; and
- (iii) all on market buy-back of shares by a company with its primary listing on the Stock Exchange must be approved in advance by an ordinary resolution, either by way of a specific approval in relation to specific transactions or by a general mandate to the directors of the company to make such buy-back, and a copy of such resolution together with the necessary documentation have been delivered to the Stock Exchange in accordance with the Listing Rules.

2. SHARE CAPITAL

As at the Latest Practicable Date, the authorised share capital of the Company was US\$100,000,000 divided into 10,000,000,000 Shares of par value of US\$0.01 each and the number of Shares in issue was 4,353,966,228.

Subject to the passing of the ordinary resolution for approving the Share Buy-back Mandate at the AGM and on the basis that no further Shares will be issued or bought back prior to the AGM, the Company would be allowed under the Share Buy-back Mandate to buy back up to a maximum of 435,396,622 Shares during the period in which the Share Buy-back Mandate remains in force. Any Shares bought back pursuant to the Share Buy-back Mandate must be fully paid-up. The Directors wish to state that they have no immediate plan to buy back any Shares pursuant to the Share Buy-back Mandate.

3. REASONS FOR SHARE BUY-BACK

The Directors believe that the Share Buy-back Mandate is in the interests of the Company and the Shareholders as a whole. Such Share buy-back may, depending on the market conditions and funding arrangements, result in an increase in net assets of the Company and/or earnings per Share. The Directors are seeking the Share Buy-back Mandate to give the Company the flexibility to buy back Shares if and when appropriate. The Directors will decide the number of Shares to be bought back on each occasion and the price and other terms upon which the same are bought back at the relevant time having regard to the circumstances then pertaining.

4. FUNDING OF SHARE BUY-BACK

It is envisaged that any Share Buy-back would be funded out of the funds legally available for such purpose under the Cayman Islands law and the Memorandum and Articles of Association. Under the Cayman Islands law, the Shares so bought back will be treated as cancelled but the aggregate amount of authorised share capital will not be reduced. The working capital or gearing position of the Company may be adversely affected in the event that the proposed Share Buy-back Mandate were to be carried out in full at any time during the period which the Share Buy-back Mandate remains in force. However, the Directors do not propose to exercise the Share Buy-back Mandate to such an extent that would, in the circumstances, have a material adverse effect on the working capital or gearing position of the Company and is from time to time appropriate.

5. MARKET PRICES OF SHARES

The highest and lowest prices per Share at which Shares have been traded on the Stock Exchange in each of the previous twelve months preceding the Latest Practicable Date and up to that date were as follows:

	Highest	Lowest
	<i>HK\$</i>	<i>HK\$</i>
2022		
April	2.50	1.92
May	2.40	2.14
June	2.38	2.00
July	2.10	1.82
August	2.01	1.85
September	1.96	1.71
October	1.99	1.61
November	1.70	1.54
December	1.73	1.60
2023		
January	1.78	1.54
February	1.78	1.56
March	1.60	1.36
April (up to and including the Latest Practicable Date)	1.34	1.18

6. GENERAL

To the best of their knowledge and having made all reasonable enquiries, none of the Directors nor any of their close associates (as defined in the Listing Rules) have any present intention to sell Shares to the Company in the event that the Share Buy-back Mandate is granted by the Shareholders.

The Company has not been notified by any core connected persons (as defined in the Listing Rules) of the Company that they have a present intention to sell any Shares to the Company, or that they have undertaken not to sell any Shares held by them to the Company in the event that the granting of the Share Buy-back Mandate is approved by the Shareholders.

The Directors have undertaken to the Stock Exchange that, so far as the same may be applicable, they will exercise the powers of the Company to buy back Shares pursuant to the Share Buy-back Mandate in accordance with the Listing Rules, the Memorandum and Articles of Association and the applicable laws of the Cayman Islands.

7. TAKEOVERS CODE

If, as a result of a buy-back of Shares, a Shareholder's proportionate interest in the voting rights of the Company is increased, such increase will be treated as an acquisition for the purpose of Rule 32 of the Takeovers Code. Accordingly, a Shareholder or a group of Shareholders acting in concert (within the meaning under the Takeovers Code), depending on the level of increase in the Shareholder's interest, could obtain or consolidate control of the Company and become obliged to make a mandatory offer under Rule 26 of the Takeovers Code.

To the best knowledge of the Company, as at the Latest Practicable Date, Tianrui (International) Holding Company Limited, the largest substantial shareholder of the Company (as defined in the Listing Rules), was interested in 951,462,000 Shares representing approximately 21.85% of the total issued share capital of the Company. In the event that the Directors exercise the proposed Share Buy-back Mandate in full, the shareholding of Tianrui (International) Holding Company Limited would be increased to approximately 24.28% of the issued share capital of the Company. Such an increase would not trigger an obligation to make a general offer pursuant to the Takeovers Code.

Accordingly, the Directors are not aware of any consequences which may give rise to an obligation to make a mandatory offer under Rule 26 of the Takeovers Code. The Directors do not propose to exercise the Share Buy-back Mandate to such an extent that would result in the aggregate number of Shares held by the public shareholders falling below the prescribed minimum percentage required by the Stock Exchange.

8. SHARE BUY-BACK MADE BY THE COMPANY

No buy-back of Shares (whether on the Stock Exchange or otherwise) has been made by the Company during the six months preceding the Latest Practicable Date.

Details of the proposed amendments are as follows:

1. Amendments to the existing Memorandum and Articles of Association to amend references to certain Chinese characters with no effect on the English language content; and
2. The following amendments to certain articles of the existing Memorandum and Articles of Association are proposed (as indicated by the marked-up amendments).

Memorandum of Association

Existing Memorandum		Amended Memorandum	
Clause No.	Clause	Clause No.	Clause
1	The name of the Company is China Shanshui Cement Group Limited (中國山水水泥集團有限公司).	1	The name of the Company is China Shanshui Cement Group Limited (中國山水水泥集團有限公司).
2	The Registered Office of the Company shall be at P.O. Box 10008, Willow House, Cricket Square, Grand Cayman KY1-1001, Cayman Islands or at such other place in the Cayman Islands as the Board may from time to time decide.	2	The Registered Office of the Company shall be at <u>the offices of Tricor Services (Cayman Islands) Limited, Third Floor, Century Yard, Cricket Square, P.O. Box 902, Grand Cayman, KY1-1103</u> , Cayman Islands or at such other place in the Cayman Islands as the Board may from time to time decide.
3	(f) to carry on whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants, estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including the provision of any services;	3	(f) to carry on whether as principals, agents or otherwise howsoever the business of realtors, developers, consultants, estate agents or managers, builders, contractors, engineers, manufacturers, dealers in or vendors of all types of property including the provision of any services;
4	Except as prohibited or limited by the Companies Law (2018 Revision), the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies Law (2018 Revision) and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, ...	4	Except as prohibited or limited by the Companies <u>Act (As Revised)</u> , the Company shall have full power and authority to carry out any object not prohibited by any law as provided by Section 7(4) of the Companies <u>Act (As Revised)</u> and shall have and be capable of from time to time and at all times exercising any and all of the powers at any time or from time to time exercisable by a natural person or body corporate, ...

Existing Memorandum		Amended Memorandum	
Clause No.	Clause	Clause No.	Clause
6	The share capital of the Company is US\$100,000,000 divided into 10,000,000,000 shares of a nominal or par value of US\$0.01 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies Law (2018 Revision) and the Articles of Association and to issue any part of its capital, ...	6	The share capital of the Company is US\$100,000,000 divided into 10,000,000,000 shares of a nominal or par value of US\$0.01 each with power for the Company insofar as is permitted by law, to redeem or purchase any of its shares and to increase or reduce the said capital subject to the provisions of the Companies <u>Act (As Revised)</u> and the Articles of Association and to issue any part of its capital, ...
7	If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies Law (2018 Revision) and, subject to the provisions of the Companies Law (2018 Revision) and the Articles of Association, ...	7	If the Company is registered as exempted, its operations will be carried on subject to the provisions of Section 174 of the Companies <u>Act (As Revised)</u> and, subject to the provisions of the Companies <u>Act (As Revised)</u> and the Articles of Association, ...

Articles of Association

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
1	The regulations contained in Table A in the First Schedule to the Companies Law shall not apply to the Company.	1	The regulations contained in Table A in the First Schedule to the Companies <u>Act</u> shall not apply to the Company.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
2.1	The marginal notes to these Articles shall not affect the interpretation hereof.	2.1	The marginal notes to these Articles shall not affect the interpretation hereof.
2.2	<p>In these Articles, unless there be something in the subject or context inconsistent therewith:</p> <p>“Associate” shall mean, in relation to any Director:</p> <p>(iv) any other persons who would be deemed to be an “associate” of the Director under the Listing Rules.</p> <p>— —</p> <p>“Companies Law” or “Law” shall mean the Companies Law (2018 Revision) of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.</p>	2.2	<p>In these Articles, unless there be something in the subject or context inconsistent therewith:</p> <p>“Associate” shall mean, in relation to any Director:</p> <p>(iv) any other persons who would be deemed to be an “associate” of the Director under the Listing Rules.</p> <p><u>“close associate” shall have the same meaning as defined in the Listing Rules except that for purposes of Article 16.22 where the transaction or arrangement to be approved by the Board is a connected transaction referred to in the Listing Rules, it shall have the same meaning as that ascribed to “associate” in the Listing Rules.</u></p> <p>“Companies Act” or “Act” shall mean the Companies Act (As Revised) of the Cayman Islands and any amendments thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
	<p>“dividend” shall include bonus dividends and distributions permitted by the Law to be categorised as dividends.</p> <p>“electronic” shall have the meaning given to it in the Electronic Transactions Law.</p> <p>— —</p> <p>— —</p>		<p>“dividend” shall include bonus dividends and distributions permitted by the <u>Act</u> to be categorised as dividends.</p> <p>“electronic” shall have the meaning given to it in the Electronic Transactions <u>Act</u>.</p> <p><u>“electronic communication” shall mean a communication sent, transmitted, conveyed and received by wire, by radio, by optical means or by other electron magnetic means in any form through any medium.</u></p> <p><u>“electronic facilities” shall mean video, video-conferencing, internet, online platform or online conferencing applications, telephone or tele-conferencing and/or any other video communication, internet or online conferencing application or telecommunications facilities by means of which all shareholders participating in a meeting are capable of hearing and be heard by each other.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
	<p>— —</p> <p>“Electronic Transactions Law” means the Electronic Transactions Law (2003 Revision) of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.</p> <p>— —</p>		<p>“<u>electronic meeting</u>” shall mean a general meeting held and conducted wholly and exclusively by <u>virtual attendance and participation by members, proxies and/or Directors by means of electronic facilities.</u></p> <p>“Electronic Transactions Act” means the Electronic Transactions <u>Act (As Revised)</u> of the Cayman Islands and any amendment thereto or re-enactments thereof for the time being in force and includes every other law incorporated therewith or substituted therefor.</p> <p>“<u>hybrid meeting</u>” shall mean a general meeting convened for the (i) <u>physical attendance and participation by members, proxies, and/or Directors at the Principal Meeting Place and where applicable, one or more Meeting Locations</u> and (ii) <u>virtual attendance and participation by members, proxies and/or Directors by means of electronic facilities.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
	— —		<p><u>“Meeting Location(s)”</u> shall have the meaning given to it in <u>Article 13.5(b)</u>.</p> <p><u>“physical meeting”</u> shall mean a general meeting held and conducted by physical attendance and participation by members, proxies and/or Directors at the <u>Principal Meeting Place and/or where applicable, one or more Meeting Locations</u>.</p> <p><u>“Principal Meeting Place”</u> shall mean shall have the meaning given to it in <u>Article 12.4</u>.</p> <p><u>“special resolution”</u> shall have the same meaning as ascribed thereto in the <u>Act</u> and shall include an unanimous written resolution of all members: for this purpose, the requisite majority shall be not less than three-fourths of the <u>voting rights held votes</u> of such members of the Company as, being entitled to do so, vote in person or, where proxies are allowed, by proxy or, in the case of corporations, by their duly authorised representatives, at a general meeting of which notice specifying the intention to propose the resolution as a special resolution has been duly given.</p> <p><u>“transfer office”</u> shall mean the place where the principal register is <u>situated</u> for the time being.</p>
2.3	Subject as aforesaid, any words defined in the Law shall, if not inconsistent with the subject and/or context, bear the same meanings in these Articles.	2.3	Subject as aforesaid, any words defined in the <u>Act</u> shall, if not inconsistent with the subject and/or context, bear the same meanings in these Articles.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
2.5	“Writing” or “printing” shall include writing, printing, lithograph, photograph, typewriting and every other mode of representing words or figures in a legible and nontransitory form and, only where used in connection with a notice served by the Company on members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference.	2.5	“Writing” or “printing” shall include writing, printing, lithograph, photograph, typewriting and every other mode of representing words or figures in a legible and nontransitory form and, only where used in connection with a notice served by the Company on members or other persons entitled to receive notices hereunder, shall also include a record maintained in an electronic medium which is accessible in visible form so as to be useable for subsequent reference.
2.6	Sections 8 and 19(3) of the Electronic Transactions Law shall not apply.	2.6	Sections 8 and 19(3) of the Electronic Transactions <u>Act</u> shall not apply.
—	—	<u>2.7</u>	<u>Subject to Article 3.4, the provisions of special resolutions and ordinary resolutions shall apply mutatis mutandis to any resolutions passed by the holders of any class of Shares.</u>
—	—	<u>2.8</u>	<u>Reference to "a meeting" shall mean a meeting convened and held in any manner permitted by these Articles and any member, proxy and/or Director attending and participating at a meeting by means of electronic facilities shall be deemed to be present at that meeting for all purposes of the Companies Act and all other applicable laws, rules and regulations and these Articles, and attend, participate, attending, participating, attendance and participation shall be construed accordingly.</u>
—	—	<u>2.9</u>	<u>References to a person's participation in the business of a general meeting include without limitation and as relevant the right (including, in the case of a corporation, through a duly authorised representative) to speak or communicate, vote, be represented by a proxy and have access in hard copy or electronic form to all documents which are required by the Companies Act and all other applicable laws, rules and regulations or these Articles to be made available at the meeting, and participate and participating in the business of a general meeting shall be construed accordingly.</u>
3.1	The capital of the Company at the date of the adoption of these Articles is US\$100,000,000 divided into 10,000,000,000 shares of a nominal or par value of US\$0.01 each.	3.1	The <u>authorized</u> capital of the Company at the date of the adoption of these Articles is US\$100,000,000 divided into 10,000,000,000 shares of a nominal or par value of US\$0.01 each.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
3.2	Subject to the provisions of these Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the Law and to any special rights conferred on any members or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed. No shares shall be issued to bearer.	3.2	Subject to the provisions of these Articles and to any direction that may be given by the Company in general meeting and without prejudice to any special rights conferred on the holders of any existing shares or attaching to any class of shares, any share may be issued with or have attached thereto such preferred, deferred, qualified or other special rights or restrictions, whether in regard to dividend, voting, return of capital or otherwise, and to such persons at such times and for such consideration as the Board may determine. Subject to the <u>Act</u> and to any special rights conferred on any members or attaching to any class of shares, any share may, with the sanction of a special resolution, be issued on terms that it is, or at the option of the Company or the holder thereof is, liable to be redeemed. No shares shall be issued to bearer.
3.4	If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the Law, be varied or abrogated with the consent in writing of the holders of not less than threefourths in nominal value of the issued shares of that class or with the sanction of a special resolution passed at a separate meeting of the holders of shares of that class. To every such separate meeting all the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or persons together holding (or representing by proxy or duly authorised representative) at the date of the relevant meeting not less than one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of a corporation, by its duly authorised representative) or by proxy may demand a poll.	3.4	If at any time the share capital of the Company is divided into different classes of shares, all or any of the rights attached to any class of shares for the time being issued (unless otherwise provided for in the terms of issue of the shares of that class) may, subject to the provisions of the <u>Act</u> , be varied or abrogated with the consent in writing of the holders of at least not less than <u>at least three-fourths of the voting rights of the</u> threefourths in nominal value of the issued shares of that class, or with the <u>approval of a resolution passed by at least three-fourths of the voting rights of</u> sanction of a special resolution passed at a separate meeting of the holders of shares of that class <u>present and voting in person or by proxy at a separate meeting of such holders</u> . To every such separate meeting all the provisions of these Articles relating to general meetings shall mutatis mutandis apply, but so that the quorum for the purposes of any such separate meeting and of any adjournment thereof shall be a person or two <u>at least not less than</u> one-third in nominal value of the issued shares of that class, and that any holder of shares of the class present in person (or in the case of a corporation, by its duly authorised representative) or by proxy may demand a poll.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
3.6	Subject to the Law, or any other law or so far as not prohibited by any law or the Listing Rules and subject to any rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire any of its own shares (which expression as used in this Article includes redeemable shares) provided that the manner of purchase has first been authorised by a resolution of the members, and to purchase or otherwise acquire warrants for the subscription or purchase of its own shares, ...	3.6	Subject to the <u>Act</u> , or any other law or so far as not prohibited by any law or the Listing Rules and subject to any rights conferred on the holders of any class of shares, the Company shall have the power to purchase or otherwise acquire any of its own shares (which expression as used in this Article includes redeemable shares) provided that the manner of purchase has first been authorised by a resolution of the members, and to purchase or otherwise acquire warrants for the subscription or purchase of its own shares, ...
3.9	Subject to the provisions of the Law and the Memorandum of Association of the Company, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holders are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.	3.9	Subject to the provisions of the <u>Act</u> and the Memorandum of Association of the Company, and to any special rights conferred on the holders of any shares or attaching to any class of shares, shares may be issued on the terms that they may be, or at the option of the Company or the holders are, liable to be redeemed on such terms and in such manner, including out of capital, as the Board may deem fit.
3.13	Subject to the provisions of the Law, of the Memorandum of Association of the Company, and of these Articles relating to new shares, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Board shall determine.	3.13	Subject to the provisions of the <u>Act</u> , of the Memorandum of Association of the Company, and of these Articles relating to new shares, the unissued shares in the Company (whether forming part of its original or any increased capital) shall be at the disposal of the Board, which may offer, allot, grant options over or otherwise dispose of them to such persons, at such times and for such consideration, and upon such terms, as the Board shall determine.
3.14	The Company may, unless prohibited by law, at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, but so that the conditions and requirements of the Law shall be observed and complied with, and in each case the commission shall not exceed 10% of the price at which the shares are issued.	3.14	The Company may, unless prohibited by law, at any time pay a commission to any person for subscribing or agreeing to subscribe (whether absolutely or conditionally) for any shares in the Company or procuring or agreeing to procure subscriptions (whether absolute or conditional) for any shares in the Company, but so that the conditions and requirements of the <u>Act</u> shall be observed and complied with, and in each case the commission shall not exceed 10% of the price at which the shares are issued.
4.1	The Board shall cause to be kept at such place within or outside the Cayman Islands as it deems fit a principal register of the members and there shall be entered therein the particulars of the members and the shares issued to each of them and other particulars required under the Law.	4.1	The Board shall cause to be kept at such place within or outside the Cayman Islands as it deems fit a principal register of the members and there shall be entered therein the particulars of the members and the shares issued to each of them and other particulars required under the <u>Act</u> .

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
4.4	Notwithstanding anything contained in this Article, the Company shall as soon as practicable and on a regular basis record in the principal register all transfers of shares effected on any branch register and shall at all times maintain the principal register in such manner as to show at all times the members for the time being and the shares respectively held by them, in all respects in accordance with the Companies Law.	4.4	Notwithstanding anything contained in this Article, the Company shall as soon as practicable and on a regular basis record in the principal register all transfers of shares effected on any branch register and shall at all times maintain the principal register in such manner as to show at all times the members for the time being and the shares respectively held by them, in all respects in accordance with the Companies <u>Act</u> .
4.5	For so long as any shares are listed on the Exchange, title to such listed shares may be evidenced and transferred in accordance with the Listing Rules that are or shall be applicable to such listed shares. The register of members maintained by the Company in respect of such listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the Law in a form otherwise than legible (provided it is capable of being reproduced in a legible form) if such recording otherwise complies with the Listing Rules that are or shall be applicable to such listed shares.	4.5	For so long as any shares are listed on the Exchange, title to such listed shares may be evidenced and transferred in accordance with the Listing Rules that are or shall be applicable to such listed shares. The register of members maintained by the Company in respect of such listed shares (whether the principal register or a branch register) may be kept by recording the particulars required by Section 40 of the <u>Act</u> in a form otherwise than legible (provided it is capable of being reproduced in a legible form) if such recording otherwise complies with the Listing Rules that are or shall be applicable to such listed shares.
4.6	Except when a register is closed and, if applicable, subject to the additional provisions of Article 4.9, the principal register and any branch register shall during business hours be kept open to the inspection of any member without charge.	4.6	Except when a register is closed and, if applicable, subject to the additional provisions of Article 4.9, the principal register and any branch register shall during business hours be kept open for the inspection of any member without charge.
4.8	The register may, on 14 days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided or by advertisement published in the newspapers, be closed at such times and for such periods as the Board may from time to time determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year). ...	4.8	The register may, on 14 days' notice (or on 6 business days' notice in the case of a rights issue) being given by advertisement published on the Exchange's website, or, subject to the Listing Rules, by electronic communication in the manner in which notices may be served by the Company by electronic means as herein provided or by advertisement published in the newspapers, be closed in accordance with the terms equivalent to section 632 of the Companies Ordinance at such times and for such periods as the Board may from time to time determine, either generally or in respect of any class of shares, provided that the register shall not be closed for more than 30 days in any year (or such longer period as the members may by ordinary resolution determine provided that such period shall not be extended beyond 60 days in any year). ...

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
4.9	Any register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open to inspection by a member without charge. ...	4.9	<u>Except when a register is closed in accordance with the terms equivalent to section 632 of the Companies Ordinance, Any</u> register held in Hong Kong shall during normal business hours (subject to such reasonable restrictions as the Board may impose) be open <u>for</u> inspection by a member without charge. ...
4.11	Every person whose name is entered as a member in the register shall be entitled without payment to receive, within any relevant time limit prescribed in the Law or as the Exchange may from time to time determine, ...	4.11	Every person whose name is entered as a member in the register shall be entitled without payment to receive, within any relevant time limit prescribed in the <u>Act</u> or as the Exchange may from time to time determine, ...
5.3	The Company may sell in such manner as the Board thinks fit any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of the sum presently payable or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of intention to sell in default, shall have been given to the registered holder for the time being of the shares or the person, of which the Company has notice, entitled to the shares by reason of such holder's death, mental disorder or bankruptcy.	5.3	The Company may sell in such manner as the Board thinks fit any shares on which the Company has a lien, but no sale shall be made unless some sum in respect of which the lien exists is presently payable or the liability or engagement in respect of which such lien exists is liable to be presently fulfilled or discharged, nor until the expiration of 14 days after a notice in writing, stating and demanding payment of the sum presently payable or specifying the liability or engagement and demanding fulfilment or discharge thereof and giving notice of intention to sell in default, shall have been given to the registered holder for the time being of the shares or the person, of which the Company has notice, entitled to the shares by reason of such holder's death, mental disorder or bankruptcy.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
10.1	<p>The Company may from time to time by ordinary resolution:</p> <p>(a) consolidate and divide all or any of its share capital into shares of larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, ...</p> <p>(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the Law; and</p> <p>(c) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the Law, and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.</p>	10.1	<p>The Company may from time to time by ordinary resolution:</p> <p>(a) consolidate and divide all or any of its share capital into shares of <u>a</u> larger amount than its existing shares. On any consolidation of fully paid shares and division into shares of <u>a</u> larger amount, the Board may settle any difficulty which may arise as it thinks expedient and in particular (but without prejudice to the generality of the foregoing) may as between the holders of shares to be consolidated determine which particular shares are to be consolidated into each consolidated share, ...</p> <p>(b) cancel any shares which at the date of the passing of the resolution have not been taken or agreed to be taken by any person, and diminish the amount of its share capital by the amount of the shares so cancelled subject to the provisions of the <u>Act</u>; and</p> <p>(c) subdivide its shares or any of them into shares of smaller amount than is fixed by the Memorandum of Association of the Company, subject nevertheless to the provisions of the <u>Act</u>, and so that the resolution whereby any share is subdivided may determine that, as between the holders of the shares resulting from such subdivision, one or more of the shares may have any such preferred or other special rights, over, or may have such deferred rights or be subject to any such restrictions as compared with the others as the Company has power to attach to unissued or new shares.</p>
10.2	<p>The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the Law.</p>	10.2	<p>The Company may by special resolution reduce its share capital or any capital redemption reserve in any manner authorised and subject to any conditions prescribed by the <u>Act</u>.</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
11.5	The Board shall cause a proper register to be kept, in accordance with the provisions of the Law, of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the Law in regard to the registration of mortgages and charges therein specified and otherwise.	11.5	The Board shall cause a proper register to be kept, in accordance with the provisions of the <u>Act</u> , of all mortgages and charges specifically affecting the property of the Company and shall duly comply with the requirements of the <u>Act</u> in regard to the registration of mortgages and charges therein specified and otherwise.
12.1	The Company shall in each year hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notices calling it; and not more than 15 months shall elapse (or such longer period as the Exchange may authorise) between the date of one annual general meeting of the Company and that of the next. So long as the first annual general meeting of the Company is held within 18 months of its incorporation, it need not be held in the year of its incorporation or in the following years. ...	12.1	The Company shall <u>for each financial year</u> hold a general meeting as its annual general meeting in addition to any other meeting in that year and shall specify the meeting as such in the notices calling it; and <u>such annual general meeting shall be held within six months after the end of the Company's financial year. not more than 15 months shall elapse (or such longer period as the Exchange may authorise) between the date of one annual general meeting of the Company and that of the next. So long as the first annual general meeting of the Company is held within 18 months of its incorporation, it need not be held in the year of its incorporation or in the following years. ...</u>
12.2	All general meetings other than annual general meetings shall be called extraordinary general meetings.	12.2	All general meetings other than annual general meetings shall be called extraordinary general meetings. <u>All general meetings (including annual general meeting, any adjourned meeting or postponed meeting) may be held as a physical meeting in any part of the world and at one or more locations as provided in Article 13.5(b), as a hybrid meeting or as an electronic meeting, as may be determined by the Board in its absolute discretion.</u>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
12.3	<p>The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more members of the Company deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.</p>	12.3	<p>The Board may, whenever it thinks fit, convene an extraordinary general meeting. General meetings shall also be convened on the written requisition of any two or more <u>One or more</u> members of the Company holding, as at the date of deposit of the requisition, in aggregate not less than one-tenth of the voting rights (on a one vote per share basis) in the share capital of the Company may also make a requisition to convene an extraordinary general meeting and add resolutions to the meeting agenda. Such requisition shall be made in writing and deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionists, provided that such requisitionists held as at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company which carries the right of voting at general meetings of the Company. General meetings may also be convened on the written requisition of any one member of the Company which is a recognised clearing house (or its nominee(s)) deposited at the principal office of the Company in Hong Kong or, in the event the Company ceases to have such a principal office, the registered office specifying the objects of the meeting and signed by the requisitionist, provided that such requisitionist held as at the date of deposit of the requisition not less than one-tenth of the <u>voting rights (on a one vote per share basis) in the share paid-up</u> capital of the Company which carries the right of voting at general meetings of the Company, and such member may add resolutions to the meeting agenda. If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene the meeting to be held within a further 21 days, the requisitionist(s) themselves or any of them representing more than one-half of the total voting rights of all of them, may convene the general meeting in the same manner, as nearly as possible, as that in which meetings may be convened by the Board provided that any meeting so convened shall not be held after the expiration of three months from the date of deposit of the requisition, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to them by the Company.</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
12.4	An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules) and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules). The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify the time, place, and agenda of the meeting, particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in Article 13.1) the general nature of that business. ...	12.4	An annual general meeting and any extraordinary general meeting called for the passing of a special resolution shall be called by not less than 21 days' notice in writing (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules) and any other extraordinary general meeting shall be called by not less than 14 days' notice in writing (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules). The notice shall be inclusive of the day on which it is served or deemed to be served and of the day for which it is given, and shall specify <u>(a) the time and date of the meeting, (b) if the general meeting is to be a physical meeting or a hybrid meeting, the place of the meeting and if there is more than one Meeting Location as determined by the Board pursuant to Article 13.5(b), the principle place of the meeting (the "Principal Meeting Place"), (c) if the general meeting is to be a hybrid meeting or an electronic meeting, the notice shall include a statement to that effect and with details of the electronic facilities for attendance and participation by electronic means at the meeting (which electronic facilities may vary from time to time and from meeting to meeting as the Board, in its absolute discretion, may see fit) or where such details will be made available by the Company prior to the meeting, and (d), place, and agenda of the meeting;</u> particulars of the resolutions to be considered at the meeting and in the case of special business (as defined in Article 13.1) the general nature of that business. ...
13.2	For all purposes the quorum for a general meeting shall be two members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. ...	13.2	For all purposes the quorum for a general meeting shall be two members present <u>(including attendance by electronic means)</u> in person (or in the case of a corporation, by its duly authorised representative) or by proxy provided always that if the Company has only one member of record the quorum shall be that one member present in person or by proxy. ...

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
13.3	If within 15 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and place as shall be decided by the Board, and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy shall be a quorum and may transact the business for which the meeting was called.	13.3	If within 15 minutes from the time appointed for the meeting a quorum is not present, the meeting, if convened upon the requisition of members, shall be dissolved, but in any other case it shall stand adjourned to the same day in the next week and at such time and <u>(where applicable) such place and in such form and manner referred to in Article 12.2 as the Chairman of the meeting (or in default, the Board) may absolutely determine as shall be decided by the Board,</u> and if at such adjourned meeting a quorum is not present within 15 minutes from the time appointed for holding the meeting, the member or members present in person (or in the case of a corporation, by its duly authorised representative) or by proxy shall be a quorum and may transact the business for which the meeting was called.
13.4	The Chairman shall take the chair at every general meeting, or, if there be no such Chairman or, if at any general meeting such Chairman shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present shall choose another Director as Chairman, and if no Director be present, or if all the Directors present decline to take the chair, or if the Chairman chosen shall retire from the chair, then the members present (whether in person or represented by proxy or duly authorised representative) shall choose one of their own number to be Chairman.	13.4	<p><u>(a)</u> The Chairman shall take the chair at every general meeting, or, if there be no such Chairman or, if at any general meeting such Chairman shall not be present within 15 minutes after the time appointed for holding such meeting or is unwilling to act, the Directors present shall choose another Director as Chairman, and if no Director be present, or if all the Directors present decline to take the chair, or if the Chairman chosen shall retire from the chair, then the members present (whether in person or represented by proxy or duly authorised representative) shall choose one of their own number to be Chairman.</p> <p><u>(b)</u> <u>If the Chairman of a general meeting is participating in the general meeting using an electronic facility or facilities and becomes unable to participate in the general meeting using such electronic facility or facilities, another person (determined in accordance with Article 13.4(a) above) shall preside as a Chairman of the meeting unless and until the original Chairman of the meeting is able to participate in the general meeting using the electronic facility or facilities.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
13.5	The Chairman may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place as the meeting shall determine. Whenever a meeting is adjourned for 14 days or more, at least seven clear days' notice, specifying the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.	13.5	<p>(a) <u>Subject to Article 13.5(e), the</u>The Chairman may, with the consent of any general meeting at which a quorum is present, and shall, if so directed by the meeting, adjourn any meeting from time to time and from place to place <u>and/or from one form to another (a physical meeting, a hybrid meeting or an electronic meeting)</u> as the meeting shall determine. Whenever a meeting is adjourned for 14 days or more, at least seven clear days' notice, specifying <u>details as provided in Article 12.4</u> the place, the day and the hour of the adjourned meeting shall be given in the same manner as in the case of an original meeting but it shall not be necessary to specify in such notice the nature of the business to be transacted at the adjourned meeting. Save as aforesaid, no member shall be entitled to any notice of an adjournment or of the business to be transacted at any adjourned meeting. No business shall be transacted at any adjourned meeting other than the business which might have been transacted at the meeting from which the adjournment took place.</p> <p>(b) <u>The Board may, at its absolute discretion, arrange for persons entitled to attend a general meeting to do so by simultaneous attendance and participation by means of electronic facilities at such location or locations ("Meeting Location(s)") determined by the Board at its absolute discretion. Any member or any proxy attending and participating in such way or any member or proxy attending and participating in an electronic meeting or a hybrid meeting by means of electronic facilities is deemed to be present at and shall be counted in the quorum of the meeting.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p><u>(c) All general meetings are subject to the following and, where appropriate, all references to a “member” or “members” in this sub-paragraph (c) shall include a duly authorised representative or duly authorised representatives or a proxy or proxies respectively:</u></p> <p><u>(i) where a member is attending a Meeting Location and/or in the case of a hybrid meeting, the meeting shall be treated as having commenced if it has commenced at the Principal Meeting Place;</u></p> <p><u>(ii) members present in person or (in the case of a member being a corporation) by its duly authorised representative or by proxy at a Meeting Location and/or members attending and participating in an electronic meeting or a hybrid meeting by means of electronic facilities shall be counted in the quorum for and entitled to speak, communicate and vote at the meeting in question, and that meeting shall be duly constituted and its proceedings valid provided that the Chairman of the meeting is satisfied that adequate electronic facilities are available throughout the meeting to ensure that members at all Meeting Locations and members participating in an electronic meeting or a hybrid meeting by means of electronic facilities are able to participate in the business for which the meeting has been convened;</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p><u>(iii) where members attend a meeting by being present at one of the Meeting Locations and/or where members participating in an electronic meeting or a hybrid meeting by means of electronic facilities, a failure (for any reason) of the electronic facilities or communication equipment, or any other failure in the arrangements for enabling those in a Meeting Location other than the Principal Meeting Place to participate in the business for which the meeting has been convened or in the case of an electronic meeting or a hybrid meeting, the inability of one or more members or proxies to access, or continue to access, the electronic facilities despite adequate electronic facilities having been made available by the Company, shall not affect the validity of the meeting or the resolutions passed, or any business conducted there or any action taken pursuant to such business provided that there is a quorum present throughout the meeting; and</u></p> <p><u>(iv) if any of the Meeting Location is not in the same jurisdiction as the Principal Meeting Place and/or in the case of a hybrid meeting, the provisions of these Articles concerning the service and giving of notice for the meeting, and the time for lodging proxies, shall apply by reference to the Principal Meeting Place; and in the case of an electronic meeting, the time for lodging proxies shall be as stated in the notice for the meeting.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(d) <u>The Board and, at any general meeting, the Chairman of the meeting may from time to time make arrangements for managing attendance and/or participation and/or voting at the Principal Meeting Place, any Meeting Location(s) and/or participation in an electronic meeting or a hybrid meeting by means of electronic facilities (whether involving the issue of tickets or some other means of identification, passcode, seat reservation, electronic voting or otherwise) as it shall in its absolute discretion consider appropriate, and may from time to time change any such arrangements, provided that a member who, pursuant to such arrangements, is entitled to attend, in person or (in the case of a member being a corporation by its duly authorised representative) or by proxy, at any Meeting Location shall be entitled so to attend at one of the other Meeting Locations; and the entitlement of any member so to attend the meeting or adjourned meeting or postponed meeting at such Meeting Location or Meeting Locations shall be subject to any such arrangement as may be for the time being in force and by the notice of meeting or adjourned meeting or postponed meeting stated to apply to the meeting.</u></p> <p>(e) <u>If it appears to the Chairman of the general meeting that:</u></p> <p>(i) <u>the electronic facilities at the Principal Meeting Place or at such other Meeting Location(s) at which the meeting may be attended have become inadequate for the purposes referred to in Article 13.5(b) or are otherwise not sufficient to allow the meeting to be conducted substantially in accordance with the provisions set out in the notice of the meeting; or</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p><u>(ii) in the case of an electronic meeting or a hybrid meeting, electronic facilities being made available by the Company have become inadequate; or</u></p> <p><u>(iii) it is not possible to ascertain the view of those present or to give all persons entitled to do so a reasonable opportunity to speak, communicate and/or vote at the meeting; or</u></p> <p><u>(iv) there is violence or the threat of violence, unruly behaviour or other disruption occurring at the meeting or it is not possible to secure the proper and orderly conduct of the meeting;</u></p> <p><u>then, without prejudice to any other power which the Chairman of the meeting may have under these Articles or at common law, the Chairman may, at his/her absolute discretion without the consent of the meeting, and before or after the meeting has started and irrespective of whether a quorum is present, interrupt or adjourn the meeting (including adjournment for indefinite period). All business conducted at the meeting up to the time of such adjournment shall be valid.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(f) <u>The Board and, at any general meeting, the chairman of the meeting may make any arrangement and impose any requirement or restriction the Board or the Chairman of the meeting, as the case may be, considers appropriate to ensure the security and orderly conduct of a meeting (including, without limitation, requirements for evidence of identity to be produced by those attending the meeting, the searching of their personal property and the restriction of items that may be taken into the meeting place, determining the number and frequency of and the time allowed for questions that may be raised at a meeting). Members shall also comply with all requirements or restrictions imposed by the owner of the premises at which the meeting is held. Any decision made under this Article shall be final and conclusive and a person who refuses to comply with any such arrangements, requirements or restrictions may be refused entry to the meeting or ejected (physically or electronically) from the meeting.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(g) <u>If, after the sending of notice of a general meeting but before the meeting is held, or after the adjournment of a meeting but before the adjourned meeting is held (whether or not notice of the adjourned meeting is required), the Directors, in their absolute discretion, consider that it is inappropriate, impracticable, unreasonable or undesirable for any reason to hold the general meeting on the date or at the time or place or by means of electronic facilities specified in the notice calling the meeting, they may change or postpone the meeting to another date, time and/or place and/or change the electronic facilities and/or change the form of the meeting (a physical meeting, an electronic meeting or a hybrid meeting) without approval from the members. Without prejudice to the generality of the foregoing, the Directors shall have the power to provide in every notice calling a general meeting the circumstances in which a postponement of the relevant general meeting may occur automatically without further notice, including without limitation where a number 8 or higher typhoon signal, black rainstorm warning or other similar event is in force at any time on the day of the meeting. This Article shall be subject to the following:</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(i) <u>when a meeting is so postponed, the Company shall endeavour to post a notice of such postponement on the Company’s website as soon as practicable (provided that failure to post such a notice shall not affect the automatic postponement of a meeting);</u></p> <p>(ii) <u>when only the form of the meeting or electronic facilities specified in the notice are changed, the Board shall notify the members of details of such change in such manner the Board may determine;</u></p> <p>(iii) <u>when a meeting is postponed or changed in accordance with this Article, subject to and without prejudice to Article 13.5(a), unless already specified in the original notice of the meeting, the Board shall fix the date, time, place (if applicable) and electronic facilities (if applicable) for the postponed or changed meeting and shall notify the members of such details in such manner as the Board may determine; further all proxy forms shall be valid (unless revoked or replaced by a new proxy) if they are received as required by these Articles not less than 48 hours before the time of the postponed meeting; and</u></p> <p>(iv) <u>notice of the business to be transacted at the postponed or changed meeting shall not be required, nor shall any accompanying documents be required to be recirculated, provided that the business to be transacted at the postponed or changed meeting is the same as that set out in the original notice of general meeting circulated to the members.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(h) <u>All persons seeking to attend and participate in an electronic meeting or a hybrid meeting shall be responsible for maintaining adequate facilities to enable them to do so. Subject to Article 13.5(e), any inability of a person or persons to attend or participate in a general meeting by way of electronic facilities shall not invalidate the proceedings of and/or resolutions passed at that meeting.</u></p> <p>(i) <u>Without prejudice to other provisions in Article 13.5(a), a physical meeting may also be held by means of such telephone, electronic or other communication facilities as permit all persons participating in the meeting to communicate with each other simultaneously and instantaneously, and participation in such a meeting shall constitute presence in person at such meeting.</u></p> <p>(j) <u>Without prejudice to the other provisions in Article 13.5, and subject to the Companies Act and the Listing Rules and any other applicable laws, the Board may resolve to enable persons entitled to attend an electronic meeting to do so by simultaneous attendance by means of electronic facilities with no member necessarily in physical attendance and without any particular Meeting Location being designated. Each member or (in the case of a member being a corporation) its duly authorised representative or its proxy shall be counted in the quorum for, and entitled to vote at, the electronic meeting in question, and that general meeting shall be duly constituted and its proceedings valid if the Chairman of the electronic meeting is satisfied that adequate facilities are available throughout the electronic meeting to ensure that members attending the electronic meeting who are not present together at the same place may, by means of electronic facilities, attend and speak or communicate and vote at it.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
13.7	A poll shall (subject as provided in Article 13.8) be taken in such manner (including the use of ballot or voting papers or tickets) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting at which the poll was taken as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.	13.7	A poll shall (subject as provided in Article 13.8) be taken in such manner (including the use of ballot or voting papers or tickets <u>or through electronic facilities</u>) and at such time and place, not being more than 30 days from the date of the meeting or adjourned meeting <u>or postponed meeting</u> at which the poll was taken as the Chairman directs. No notice need be given of a poll not taken immediately. The result of the poll shall be deemed to be the resolution of the meeting at which the poll was taken.
13.8	Any poll on the election of a Chairman of a meeting or on any question of adjournment shall be taken at the meeting and without adjournment.	13.8	Any poll on the election of a Chairman of a meeting or on any question of adjournment <u>or postponement</u> shall be taken at the meeting and without adjournment <u>or postponement</u> .
14.1	Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. A member entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy is under no obligation to cast all his votes in the same way.	14.1	Subject to any special rights, privileges or restrictions as to voting for the time being attached to any class or classes of shares, at any general meeting every member present in person (or, in the case of a member being a corporation, by its duly authorised representative) or by proxy shall have one vote for each share registered in his name in the register. A member entitled to more than one vote is under no obligation to cast all his votes in the same way. For the avoidance of doubt, where more than one proxy is appointed by a recognised clearing house (or its nominee(s)), each such proxy is under no obligation to cast all his votes in the same way. <u>Votes may be cast by such means, electronic or otherwise, as the Directors or the Chairman of the meeting may determine.</u>
14.2	Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.	14.2	<u>All members (including a member which is a recognised clearing house (or its nominee(s))) shall have the right to (a) speak at a general meeting and (b) vote at a general meeting except where a member is required by the Listing Rules to abstain from voting to approve the matter under consideration.</u> Where any member is, under the Listing Rules, required to abstain from voting on any particular resolution or restricted to voting only for or only against any particular resolution, any votes cast by or on behalf of such member in contravention of such requirement or restriction shall not be counted.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
14.3	Any person entitled under Article 8.2 to be registered as a member may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting (as the case may be) at which he proposed to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.	14.3	Any person entitled under Article 8.2 to be registered as a member may vote at any general meeting in respect thereof in the same manner as if he were the registered holder of such shares, provided that at least 48 hours before the time of the holding of the meeting or adjourned meeting <u>or postponed meeting</u> (as the case may be) at which he proposed to vote, he shall satisfy the Board of his right to be registered as the holder of such shares or the Board shall have previously admitted his right to vote at such meeting in respect thereof.
14.7	No objection shall be raised as to the qualification of any person exercising or purporting to exercise any vote or to the admissibility of any vote except at the meeting or adjourned meeting at which the person exercising or purporting to exercise his vote or the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. In the case of any dispute as to the admission or rejection of any vote, the Chairman of the meeting shall determine the same and such determination shall be final and conclusive.	14.7	No objection shall be raised as to the qualification of any person exercising or purporting to exercise any vote or to the admissibility of any vote except at the meeting or adjourned meeting <u>or postponed meeting</u> at which the person exercising or purporting to exercise his vote or the vote objected to is given or tendered, and every vote not disallowed at such meeting shall be valid for all purposes. In the case of any dispute as to the admission or rejection of any vote, the Chairman of the meeting shall determine the same and such determination shall be final and conclusive.
14.8	Any member of the Company entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy to attend and vote instead of him; a proxy so appointed shall have the same rights as the member at the meeting. A member may vote either personally or by proxy, and a proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).	14.8	Any member of the Company <u>(including a recognised clearing house)</u> entitled to attend and vote at a meeting of the Company shall be entitled to appoint another person (who must be an individual) as his proxy <u>or representative (if such Member is a corporation)</u> to attend and vote instead of him; a proxy so appointed shall have the same rights as the member at the meeting. A member may vote either personally or by proxy, and a proxy need not be a member of the Company. A member may appoint any number of proxies to attend in his stead at any one general meeting (or at any one class meeting).

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
14.10	<p>The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) not less than 48 hours before the time appointed for holding the meeting or adjourned meeting at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the Chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.</p>	14.10	<p><u>(a) The Company may, at its absolute discretion, provide an electronic address for the receipt of any document or information relating to proxies for a general meeting (including any instrument of proxy or invitation to appoint a proxy, any document necessary to show the validity of, or otherwise relating to, an appointment of proxy (whether or not required under these Articles) and notice of termination of the authority of a proxy). If such an electronic address is provided, the Company shall be deemed to have agreed that any such document or information (relating to proxies as aforesaid) may be sent by electronic means to that address, subject as hereafter provided and subject to any other limitations or conditions specified by the Company when providing the address. Without limitation, the Company may from time to time determine that any such electronic address may be used generally for such matters or specifically for particular meetings or purposes and, if so, the Company may provide different electronic addresses for different purposes. The Company may also impose any conditions on the transmission of and its receipt of such electronic communications including, for the avoidance of doubt, imposing any security or encryption arrangements as may be specified by the Company. If any document or information required to be sent to the Company under this Article is sent to the Company by electronic means, such document or information is not treated as validly delivered to or deposited with the Company if the same is not received by the Company at its designated electronic address provided in accordance with this Article or if no electronic address is so designated by the Company for the receipt of such document or information.</u></p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
			<p>(b) The instrument appointing a proxy and (if required by the Board) the power of attorney or other authority, (if any) under which it is signed, or a notarially certified copy of such power or authority, shall be delivered at the registered office of the Company (or at such other place as may be specified in the notice convening the meeting or in any notice of any adjournment or, in either case, in any document sent therewith) <u>or if the Company has provided an electronic address in accordance with the preceding paragraph, shall be received at the electronic address specified,</u> not less than 48 hours before the time appointed for holding the meeting or adjourned meeting <u>or postponed</u> at which the person named in the instrument proposes to vote, or, in the case of a poll taken subsequently to the date of a meeting or adjourned meeting <u>or postponed meeting</u>, not less than 48 hours before the time appointed for the taking of the poll, and in default the instrument of proxy shall not be treated as valid provided always that the Chairman of the meeting may at his discretion direct that an instrument of proxy shall be deemed to have been duly deposited upon receipt of telex or cable or facsimile confirmation from the appointor that the instrument of proxy duly signed is in the course of transmission to the Company. No instrument appointing a proxy shall be valid after the expiration of 12 months from the date named in it as the date of its execution. Delivery of any instrument appointing a proxy shall not preclude a member from attending and voting in person at the meeting or poll concerned and, in such event, the instrument appointing a proxy shall be deemed to be revoked.</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
14.13	A vote given in accordance with the terms of an instrument of proxy or resolution of a member shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy or resolution of a member was executed or revocation of the relevant resolution or the transfer of the share in respect of which the proxy was given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its registered office, or at such other place as is referred to in Article 14.10, at least two hours before the commencement of the meeting or adjourned meeting at which the proxy is used.	14.13	A vote given in accordance with the terms of an instrument of proxy or resolution of a member shall be valid notwithstanding the previous death or insanity of the principal or revocation of the proxy or power of attorney or other authority under which the proxy or resolution of a member was executed or revocation of the relevant resolution or the transfer of the share in respect of which the proxy was given, provided that no intimation in writing of such death, insanity, revocation or transfer as aforesaid shall have been received by the Company at its registered office, or at such other place as is referred to in Article 14.10 (b) , at least two hours before the commencement of the meeting or adjourned meeting or postponed meeting at which the proxy is used.
14.14	Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.	14.14	Any corporation which is a member of the Company may, by resolution of its directors or other governing body or by power of attorney, authorise such person as it thinks fit to act as its representative to attend and vote at any meeting of the Company or of members of any class of shares of the Company and the person so authorised shall be entitled to exercise the same powers on behalf of the corporation which he represents as that corporation could exercise if it were an individual member of the Company and where a corporation is so represented, it shall be treated as being present at any meeting in person.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
14.15	If a recognised clearing house (or its nominee(s)) is a member of the Company it may authorise such person or persons as it thinks fit to act as its representative(s) at any general meeting of the Company or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, notwithstanding any contrary provision contained in these Articles.	14.15	If a recognised clearing house (or its nominee(s)) is a member of the Company it may appoint proxies or authorise such person or persons as it thinks fit to act as its proxy(ies) or corporate representative(s), who enjoy rights equivalent to the rights of other members, at any general meeting of the Company (including but not limited to general meetings and creditors meetings) or at any general meeting of any class of members of the Company provided that, if more than one person is so authorised, the authorisation shall specify the number and class of shares in respect of which each such person is so authorised. A person so authorised pursuant to this provision shall be entitled to exercise the same rights and powers on behalf of the recognised clearing house (or its nominee(s)) which he represents as that recognised clearing house (or its nominee(s)) could exercise as if such person were an individual member of the Company holding the number and class of shares specified in such authorisation, notwithstanding any contrary provision contained in these Articles, including the right to speak and vote individually on a show of hands or on a poll.
16.2	Subject to Article 20.6, the Board shall have 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 reelection 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.	16.2	<u>The Company may from time to time in general meeting by ordinary resolution elect any person to be a Director (including a managing director or other executive director),</u> Subject to Article 20.6, the Board shall have 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 or as an addition to the Board shall hold office only until the first next following annual general meeting of the Company after his appointment and shall then be eligible for re-election.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
16.5	The Company shall keep at its office a register of directors and officers containing their names and addresses and occupations and any other particulars required by the Law and shall send to the Registrar of Companies of the Cayman Islands a copy of such register and shall from time to time notify to the Registrar of Companies of the Cayman Islands any change that takes place in relation to such Directors as required by the Law.	16.5	The Company shall keep at its office a register of directors and officers containing their names and addresses and occupations and any other particulars required by the <u>Act</u> and shall send to the Registrar of Companies of the Cayman Islands a copy of such register and shall from time to time notify to the Registrar of Companies of the Cayman Islands any change that takes place in relation to such Directors as required by the <u>Act</u> .
16.6	The Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his period of office notwithstanding anything in these Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed. ...	16.6	The Company may by ordinary resolution at any time remove any Director (including a Managing Director or other executive Director) before the expiration of his <u>term</u> of office notwithstanding anything in these Articles or in any agreement between the Company and such Director and may by ordinary resolution elect another person in his stead. Any person so elected shall hold office during such time only as the Director in whose place he is elected would have held the same if he had not been removed. ...
16.19	..., nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.	16.19	..., nor shall any Director so contracting or being any member or so interested be liable to account to the Company for any profit so realised by any such contract or arrangement by reason only of such Director holding that office or the fiduciary relationship thereby established, provided that such Director shall, if his interest in such contract or arrangement is material, declare the nature of his interest at the earliest meeting of the Board at which it is practicable for him to do so, either specifically or by way of a general notice stating that, by reason of the facts specified in the notice, he is to be regarded as interested in any contracts of a specified description which may subsequently be made by the Company.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
16.22	<p>A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his Associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:</p> <p>(a) the giving of any security or indemnity either:</p> <p>(i) to the Director or any of his Associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or</p> <p>(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his Associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;</p> <p>(b) any proposal concerning an offer of shares or debentures or other securities may promote or be interested in for subscription or purchase where the Director or any of his Associates is/are or is/are to be interested as a participant in the underwriting or subunderwriting of the offer;</p> <p>(c) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:</p>	16.22	<p>A Director shall not be entitled to vote on (nor shall be counted in the quorum in relation to) any resolution of the Board in respect of any contract or arrangement or any other proposal whatsoever in which he or any of his close associates has any material interest, and if he shall do so his vote shall not be counted (nor is he to be counted in the quorum for the resolution), but this prohibition shall not apply to any of the following matters, namely:</p> <p>(a) the giving of any security or indemnity either:</p> <p>(i) to the Director or any of his close associates in respect of money lent or obligations incurred or undertaken by him or any of them at the request of or for the benefit of the Company or any of its subsidiaries; or</p> <p>(ii) to a third party in respect of a debt or obligation of the Company or any of its subsidiaries for which the Director or any of his close associates has himself/themselves assumed responsibility in whole or in part and whether alone or jointly under a guarantee or indemnity or by the giving of security;</p> <p>(b) any proposal concerning an offer of shares or debentures or other securities of or by the Company or any other company which the Company may promote or be interested in for subscription or purchase where the Director or any of his close associates is/are or is/are to be interested as a participant in the underwriting or subunderwriting of the offer;</p> <p>(c) any proposal or arrangement concerning the benefit of employees of the Company or any of its subsidiaries including:</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
	<p>(i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his Associates may benefit; or</p> <p>(ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their Associates and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his Associates as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and</p> <p>(d) any contract or arrangement in which the Director or any of his Associates is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.</p>		<p>(i) the adoption, modification or operation of any employees' share scheme or any share incentive scheme or share option scheme under which the Director or any of his <u>close associates</u> may benefit; or</p> <p>(ii) the adoption, modification or operation of a pension or provident fund or retirement, death or disability benefits scheme which relates both to Directors, their <u>close associates</u> and employees of the Company or any of its subsidiaries and does not provide in respect of any Director or any of his <u>close associates</u> as such any privilege or advantage not generally accorded to the class of persons to which such scheme or fund relates; and</p> <p>(d) any contract or arrangement in which the Director or any of his <u>close associates</u> is/are interested in the same manner as other holders of shares or debentures or other securities of the Company by virtue only of his/their interest in shares or debentures or other securities of the Company.—</p>
18.1	Subject to any exercise by the Board of the powers conferred by Articles 19.1 to 19.3, the management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities by these Articles expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not hereby or by the Law expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the Law and of these Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or these Articles, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.	18.1	Subject to any exercise by the Board of the powers conferred by Articles 19.1 to 19.3, the management of the business of the Company shall be vested in the Board which, in addition to the powers and authorities by these Articles expressly conferred upon it, may exercise all such powers and do all such acts and things as may be exercised or done or approved by the Company and are not hereby or by the <u>Act</u> expressly directed or required to be exercised or done by the Company in general meeting, but subject nevertheless to the provisions of the <u>Act</u> and of these Articles and to any regulation from time to time made by the Company in general meeting not being inconsistent with such provisions or these Articles, provided that no regulation so made shall invalidate any prior act of the Board which would have been valid if such regulation had not been made.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
18.3	<p>Except as would, if the Company were a company incorporated in Hong Kong, be permitted by the Companies Ordinance as in force at the date of adoption of these Articles, and except as permitted under the Companies Law, the Company shall not directly or indirectly:</p> <p>...</p>	18.3	<p>Except as would, if the Company were a company incorporated in Hong Kong, be permitted by the Companies Ordinance as in force at the date of adoption of these Articles, and except as permitted under the Companies <u>Act</u>, the Company shall not directly or indirectly:</p> <p>...</p>
20.1	<p>The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purposes of this Article an alternate Director shall be counted in a quorum in place of the Director who appointed him and an alternate Director who is an alternate for more than one Director shall for quorum purposes be counted separately in respect of himself (if he is a Director) and in respect of each Director for whom he is an alternate (but so that nothing in this provision shall be construed as authorising a meeting to be constituted when only one person is physically present). A meeting of the Board or any committee of the Board may be held by means of a telephone or teleconferencing or any other telecommunications facility provided that all participants are thereby able to communicate contemporaneously by voice with all other participants and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.</p>	20.1	<p>The Board may meet together for the despatch of business, adjourn and otherwise regulate its meetings and proceedings as it thinks fit in any part of the world and may determine the quorum necessary for the transaction of business. Unless otherwise determined two Directors shall be a quorum. For the purposes of this Article an alternate Director shall be counted in a quorum in place of the Director who appointed him and an alternate Director who is an alternate for more than one Director shall for quorum purposes be counted separately in respect of himself (if he is a Director) and in respect of each Director for whom he is an alternate (but so that nothing in this provision shall be construed as authorising a meeting to be constituted when only one person is physically present). A meeting of the Board or any committee of the Board may be held by means of a telephone or teleconferencing or any other <u>electronic facilities telecommunications facility</u> provided that all participants are thereby able to communicate contemporaneously by voice with all other participants and participation in a meeting pursuant to this provision shall constitute presence in person at such meeting.</p>

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
20.2	A Director may, and on request of a Director the Secretary shall, at any time summon a meeting of the Board. Failing any determination by the Board, not less than 48 hours notice thereof shall be given to each Director either in writing or by telephone or by facsimile, telex or telegram at the address or telephone, facsimile or telex number from time to time notified to the Company by such Director or in such other manner as the Board may from time to time determine.	20.2	A Director may, and on request of a Director the Secretary shall, at any time summon a meeting of the Board. Failing any determination by the Board, not less than 48 hours notice thereof shall be given to each Director either in writing or by telephone or by facsimile, telex or telegram at the address or telephone, facsimile or telex number from time to time notified to the Company by such Director or <u>by electronic means to an electronic address from time to time notified to the Company by such Director or (if the recipient consents to it being made available on a website) by making it available on a website or</u> in such other manner as the Board may from time to time determine.
20.13	Unless required otherwise by the Listing Rules, a resolution in writing signed by each and every one of the Directors (or their respective alternates pursuant to Article 16.9) shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held and may consist of several documents in like form each signed by one or more of the Directors or alternate Directors. Notwithstanding the foregoing, a resolution in writing shall not be valid and effective if the resolution relates to any matter or business in which a substantial shareholder of the Company (as defined in the Listing Rules from time to time), or a Director, has an interest conflicting with that of the Company which the Board determines, prior to the passing of such resolution, to be material.	20.13	Unless required otherwise by the Listing Rules, a resolution in writing signed by each and every one of the Directors (or their respective alternates pursuant to Article 16.9) shall be as valid and effectual as if it had been passed at a meeting of the Board duly convened and held and may consist of several documents in like form each signed by one or more of the Directors or alternate Directors. <u>A notification of consent to such resolution given by a Director in writing to the Board by any means (including by means of electronic communication) shall be deemed to be his/her signature to such resolution in writing for the purpose of this Article.</u> Notwithstanding the foregoing, a resolution in writing shall not be valid and effective if the resolution relates to any matter or business in which a substantial shareholder of the Company (as defined in the Listing Rules from time to time), or a Director, has an interest conflicting with that of the Company which the Board determines, prior to the passing of such resolution, to be material.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
21.1	The Secretary shall be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit, and any Secretary so appointed may be removed by the Board. Anything by the Law or these Articles required or authorised to be done by or to the Secretary, if the office is vacant or there is for any other reason no Secretary capable of acting, may be done by or to any assistant or deputy Secretary appointed by the Board, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specifically in that behalf by the Board.	21.1	The Secretary shall be appointed by the Board for such term, at such remuneration and upon such conditions as it may think fit, and any Secretary so appointed may be removed by the Board. Anything by the <u>Act</u> or these Articles required or authorised to be done by or to the Secretary, if the office is vacant or there is for any other reason no Secretary capable of acting, may be done by or to any assistant or deputy Secretary appointed by the Board, or if there is no assistant or deputy Secretary capable of acting, by or to any officer of the Company authorised generally or specifically in that behalf by the Board.
21.2	A provision of the Law or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.	21.2	A provision of the <u>Act</u> or of these Articles requiring or authorising a thing to be done by or to a Director and the Secretary shall not be satisfied by its being done by or to the same person acting both as Director and as or in place of the Secretary.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
23.1	The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members in proportion aforesaid or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the Law.	23.1	The Company in general meeting may upon the recommendation of the Board by ordinary resolution resolve that it is desirable to capitalise all or any part of the amount for the time being standing to the credit of any of the Company's reserve accounts or funds or to the credit of the profit and loss account or otherwise available for distribution (and not required for the payment or provision of dividend on any shares with a preferential right to dividend) and accordingly that such sums be set free for distribution amongst the members who would have been entitled thereto if distributed by way of dividend and in the same proportion on condition that the same be not paid in cash but be applied either in or towards paying up any amounts for the time being unpaid on any shares held by such members respectively or paying up in full unissued shares, debentures or other securities of the Company to be allotted and distributed credited as fully paid up to and amongst such members in proportion aforesaid or partly in one way and partly in the other, and the Board shall give effect to such resolution, provided that a share premium account and a capital redemption reserve and any reserve or fund representing unrealised profits may, for the purposes of this Article, only be applied in paying up unissued shares to be issued to members of the Company as fully paid up shares or paying up calls or instalments due or payable on partly paid securities of the Company subject always to the provisions of the <u>Act</u> .
24.1	Subject to the Law and these Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.	24.1	Subject to the <u>Act</u> and these Articles, the Company in general meeting may declare dividends in any currency but no dividends shall exceed the amount recommended by the Board.
24.12	The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. The Company may apply the share premium account in any manner permitted by the Companies Law. The Company shall at all times comply with the provisions of the Companies Law in relation to the share premium account.	24.12	The Board shall establish an account to be called the share premium account and shall carry to the credit of such account from time to time a sum equal to the amount or value of the premium paid on the issue of any share in the Company. The Company may apply the share premium account in any manner permitted by the Companies <u>Act</u> . The Company shall at all times comply with the provisions of the Companies <u>Act</u> in relation to the share premium account.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
24.19	... Where required, a contract shall be filed in accordance with the provisions of the Law and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.	24.19	... Where required, a contract shall be filed in accordance with the provisions of the <u>Act</u> and the Board may appoint any person to sign such contract on behalf of the persons entitled to the dividend and such appointment shall be effective.
27	Annual Returns and Filings The Board shall make the requisite annual returns and any other requisite filings in accordance with the Law.	27	Annual Returns and Filings The Board shall make the requisite annual returns and any other requisite filings in accordance with the <u>Act</u> .
28.1	The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the Law.	28.1	The Board shall cause to be kept such books of account as are necessary to give a true and fair view of the state of the Company's affairs and to show and explain its transactions and otherwise in accordance with the <u>Act</u> .
28.2	The books of account shall be kept at the Company's principal place of business in Hong Kong or, subject to the provisions of the Law, at such other place or places as the Board thinks fit and shall always be open to the inspection of the Directors.	28.2	The books of account shall be kept at the Company's principal place of business in Hong Kong or, subject to the provisions of the <u>Act</u> , at such other place or places as the Board thinks fit and shall always be open to the inspection of the Directors.
28.3	The Board shall from time to time determine whether, to what extent, at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of the members (other than officers of the Company) and no member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the Law or any other relevant law or regulation or as authorised by the Board or by the Company in general meeting.	28.3	The Board shall from time to time determine whether, to what extent, at what times and places and under what conditions or regulations, the accounts and books of the Company, or any of them, shall be open to the inspection of the members (other than officers of the Company) and no member shall have any right of inspecting any accounts or books or documents of the Company except as conferred by the <u>Act</u> or any other relevant law or regulation or as authorised by the Board or by the Company in general meeting.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
28.6	To the extent permitted by and subject to due compliance with these Articles, the Law and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 28.5 shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules) before the date of the annual general meeting, in any manner not prohibited by these Articles and the Law, a summary financial statement derived from the Company's annual accounts, together with the Directors' report and the Auditors' report on such accounts, which shall be in the form and containing the information required by these Articles, the Law and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director's report and the Auditor's report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete printed copy of the Company's annual accounts, together with the Directors' report and the Auditor's report thereon.	28.6	To the extent permitted by and subject to due compliance with these Articles, the <u>Act</u> and all applicable rules and regulations, including, without limitation, the rules of the Exchange, and to obtaining all necessary consents, if any, required thereunder, the requirements of Article 28.5 shall be deemed satisfied in relation to any member or any holder of debentures of the Company by sending to such person instead of such copies, not less than 21 days (or such longer period as may from time to time be required under the applicable laws and regulations, including without limitation to the Listing Rules) before the date of the annual general meeting, in any manner not prohibited by these Articles and the <u>Act</u> , a summary financial statement derived from the Company's annual accounts, together with the Directors' report and the Auditors' report on such accounts, which shall be in the form and containing the information required by these Articles, the <u>Act</u> and all applicable laws and regulations, provided that any person who is otherwise entitled to the annual accounts of the Company, together with the Director's report and the Auditor's report thereon may, if he so requires, by notice in writing served on the Company, demand that the Company sends to him, in addition to the summary financial statement, a complete printed copy of the Company's annual accounts, together with the Directors' report and the Auditor's report thereon.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
29.2	The Company shall at any annual general meeting appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an Auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the Auditors shall be fixed by the Company at the annual general meeting at which they are appointed provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board. No person may be appointed as the, or an, Auditor, unless he is independent of the Company. The Board may before the first annual general meeting appoint an auditor or auditors of the Company who shall hold office until the first annual general meeting unless previously removed by an ordinary resolution of the members in general meeting in which case the members at that meeting may appoint Auditors. The Board may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditor or Auditors, if any, may act. The remuneration of any Auditor appointed by the Board under this Article may be fixed by the Board.	29.2	The members Company shall at any annual general meeting by <u>ordinary resolution</u> appoint an auditor or auditors of the Company who shall hold office until the next annual general meeting. The removal of an Auditor before the expiration of his period of office shall require the approval of an ordinary resolution of the members in general meeting. The remuneration of the Auditors shall be fixed by the Company <u>members by ordinary resolution</u> at the annual general meeting at which they are appointed, <u>in the manner as specified in the members' resolution or by other body that is independent of the Board provided that in respect of any particular year the Company in general meeting may delegate the fixing of such remuneration to the Board.</u> No person may be appointed as the, or an, Auditor, unless he is independent of the Company. The Board may before the first annual general meeting appoint an auditor or auditors of the Company who shall hold office until the first annual general meeting unless previously removed by an ordinary resolution of the members in general meeting in which case the members at that meeting may appoint Auditors. <u>Subject to compliance with the Listing Rules, the</u> Board may fill any casual vacancy in the office of Auditor but while any such vacancy continues the surviving or continuing Auditor or Auditors, if any, may act. <u>Subject to compliance with the Listing Rules, the</u> remuneration of any Auditor appointed by the Board under this Article may be fixed by the Board.
30.1	... In the case of joint holders of a share, all notices shall be given to that holder for the time being one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.	30.1	... In the case of joint holders of a share, all notices shall be given to that holder for the time being one of the joint holders whose name stands first in the register and notice so given shall be sufficient notice to all the joint holders.
30.2	(a) every person shown as a member in the register of members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the register of members; (f) such other person to whom such notice is required to be given in accordance with the Listing Rules.	30.2	(a) every person shown as a member in the register of members as of the record date for such meeting except that in the case of joint holders the notice shall be sufficient if given to the joint holder first named in the register of members; (f) such other person to whom such notice is required to be given in accordance with the Listing Rules.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
30.3	No other person shall be entitled to receive notices of general meetings.	30.3	No other person shall be entitled to receive notices of general meetings.
31.2	The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the register of members and transfer books of the Company.	31.2	The Board shall be entitled to release or disclose any information in its possession, custody or control regarding the Company or its affairs to any of its members including, without limitation, information contained in the register of members and transfer books of the Company.
32.1	—	<u>32.1</u>	<u>The Board shall have power in the name and on behalf of the Company to present a petition to the court for the Company to be wound up. Subject to the Act, the Company may by special resolution resolve that the Company be wound up voluntarily.</u>
32.1	If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution of the Company and any other sanction required by the Law divide among the members <i>in specie</i> or kind the whole or any part of the assets of the Company (whether the assets shall consist of property of one kind or shall consist of properties of different kinds) and may for such purpose set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority or sanction vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like authority or sanction and subject to the Law, shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.	<u>32.12</u>	If the Company shall be wound up (whether the liquidation is voluntary, under supervision or by the court) the liquidator may, with the authority of a special resolution of the Company and any other sanction required by the <u>Act</u> divide among the members <i>in specie</i> or kind the whole or any part of the assets of the Company (whether the assets shall consist of property of one kind or shall consist of properties of different kinds) and may for such purpose set such value as he deems fair upon any property to be divided and may determine how such division shall be carried out as between the members or different classes of members. The liquidator may, with the like authority or sanction vest the whole or any part of such assets in trustees upon such trusts for the benefit of the members as the liquidator, with the like authority or sanction and subject to the <u>Act</u> , shall think fit, and the liquidation of the Company may be closed and the Company dissolved, but so that no member shall be compelled to accept any assets, shares or other securities in respect of which there is a liability.
32.2	...	<u>32.23</u>	...
32.3	...	<u>32.34</u>	...

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
33.1	Every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.	33.1	Every Director, Auditor or other officer of the Company shall be entitled to be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, Auditor or other officer of the Company in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted.
33.2	Subject to the Companies Law, if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.	33.2	Subject to the Companies <u>Act</u> , if any Director or other person shall become personally liable for the payment of any sum primarily due from the Company, the Board may execute or cause to be executed any mortgage, charge, or security over or affecting the whole or any part of the assets of the Company by way of indemnity to secure the Director or person so becoming liable as aforesaid from any loss in respect of such liability.
34	Financial Year The financial year of the Company shall be prescribed by the Board and may, from time to time, be changed by it.	34	Financial Year The financial year <u>end</u> of the Company shall be 31 December in each year, unless otherwise prescribed by the Board and may, from time to time, be changed by it.
35	Amendment of Memorandum and Articles Subject to the Law, the Company may at any time and from time to time by special resolution alter or amend its Memorandum of Association and Articles of Association in whole or in part.	35	Amendment of Memorandum and Articles Subject to the <u>Act</u> , the Company may at any time and from time to time by special resolution alter or amend its Memorandum of Association and Articles of Association in whole or in part.
36	Transfer by Way of Continuation The Company shall, subject to the provisions of the Companies Law and with the approval of a special resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.	36	Transfer by Way of Continuation The Company shall, subject to the provisions of the Companies <u>Act</u> and with the approval of a special resolution, have the power to register by way of continuation as a body corporate under the laws of any jurisdiction outside the Cayman Islands and to be deregistered in the Cayman Islands.

Existing Articles		Amended Articles	
Articles No.	Articles	Articles No.	Articles
37	<p>Mergers and Consolidations</p> <p>The Company shall, with the approval of a special resolution, have the power to merge or consolidate with one or more constituent companies (as defined in the Law), upon such terms as the Directors may determine.</p>	37	<p>Mergers and Consolidations</p> <p>The Company shall, with the approval of a special resolution, have the power to merge or consolidate with one or more constituent companies (as defined in the <u>Act</u>), upon such terms as the Directors may determine.</p>

NOTICE OF ANNUAL 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)

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an annual general meeting of China Shanshui Cement Group Limited (the “**Company**”) will be held at Meeting Room, 6/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Thursday, 25 May 2023 at 9:30 a.m. for the following purposes:

ORDINARY RESOLUTIONS

1. To receive and adopt the audited consolidated financial statements of the Company and its subsidiaries and the reports of the directors and auditors for the year ended 31 December 2022.
2. To re-elect Mr. LI Jianwei and Mr. HSU You-yuan as independent non-executive directors of the Company, and authorise the board of directors of the Company to fix the respective director’s remuneration.
3. To re-appoint Moore Stephens CPA Limited as auditors of the Company and authorise the board of directors of the Company to fix their remuneration.
4. To consider and, if thought fit, pass with or without amendments, the following resolution as an ordinary resolution:

“THAT:

- (a) subject to compliance with the prevailing requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and paragraph (b) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company to exercise during the Relevant Period (as defined below) all the powers of the Company to buy back its shares in accordance with all applicable laws, rules and regulations (including the application by the Company for a validation order from the Grand Court of the Cayman Islands if required);

NOTICE OF ANNUAL GENERAL MEETING

(b) the total number of shares of the Company to be bought back pursuant to the mandate in paragraph (a) above shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution (subject to adjustment in the case of any consolidation or subdivision of shares of the Company after the date of passing of this resolution); and

(c) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

(i) the conclusion of the next annual general meeting of the Company;

(ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and

(iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.”

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

“**THAT:**

(a) subject to compliance with the prevailing requirements of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and paragraph (c) below, a general mandate be and is hereby generally and unconditionally given to the directors of the Company during the Relevant Period (as defined below) to allot, issue and deal with additional shares in the capital of the Company and to make or grant offers, agreements and options which might require the exercise of such powers in accordance with all applicable laws, rules and regulations (including the application by the Company for a validation order from the Grand Court of the Cayman Islands if required);

(b) The mandate in paragraph (a) above shall authorise the directors of the Company to make or grant offers, agreements and options during the Relevant Period which would or might require the exercise of such powers after the end of the Relevant Period;

NOTICE OF ANNUAL GENERAL MEETING

- (c) the aggregate number of shares allotted or agreed conditionally or unconditionally to be allotted by the directors of the Company pursuant to the mandate in paragraph (a) above, otherwise than pursuant to:
 - (i) a Rights Issue (as defined below);
 - (ii) the exercise of options under a share option scheme of the Company; and
 - (iii) any scrip dividend scheme or similar arrangement providing for the allotment of shares in lieu of the whole or part of a dividend on shares of the Company in accordance with the articles of association of the Company.

shall not exceed 20% of the total number of issued shares of the Company as at the date of passing of this resolution (subject to adjustment in the case of any consolidation or subdivision of shares of the Company after the date of passing of this resolution); and

- (d) for the purposes of this resolution:

“**Relevant Period**” means the period from the passing of this resolution until whichever is the earliest of:

- (i) the conclusion of the next annual general meeting of the Company;
- (ii) the expiration of the period within which the next annual general meeting of the Company is required by the articles of association of the Company or any applicable laws to be held; and
- (iii) the date on which the authority set out in this resolution is revoked or varied by an ordinary resolution of the shareholders in general meeting.

“**Rights Issue**” means an offer of shares open for a period fixed by the directors to holders of shares of the Company or any class thereof on the register on a fixed record date in proportion to their then holdings of such shares or class thereof (subject to such exclusions or other arrangements as the directors may deem necessary or expedient in relation to fractional entitlements or having regard to any restrictions or obligations under the laws of any relevant jurisdiction or the requirements of any recognized regulatory body or any stock exchange).”

NOTICE OF ANNUAL GENERAL MEETING

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

“**THAT** conditional upon the passing of the resolutions set out in items 4 and 5 of the notice convening this meeting (the “**Notice**”), the general mandate referred to in the resolution set out in item 5 of the Notice be and is hereby extended by the addition to the aggregate number of shares which may be allotted and issued or agreed conditionally or unconditionally to be allotted and issued by the directors of the Company pursuant to such general mandate of the number of shares bought back by the Company pursuant to the mandate referred to in the resolution set out in item 4 of the Notice, provided that such number of shares shall not exceed 10% of the total number of issued shares of the Company as at the date of passing of this resolution (subject to adjustment in the case of any consolidation or subdivision of shares of the Company after the date of passing of this resolution).”

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

“**THAT:**

- (a) the 2023 Mine Development Services Framework Agreement (a copy of which is tabled at the AGM and marked “A” and initialled by the chairman of the AGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (b) the proposed annual caps in relation to transactions contemplated under the 2023 Mine Development Services Framework Agreement as set out in the Circular be and are hereby approved and confirmed; and
- (c) any one Director be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the 2023 Mine Development Services Framework Agreement.”

NOTICE OF ANNUAL GENERAL MEETING

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

“THAT:

- (a) the 2023 Engineering and Technical Services Framework Agreement (a copy of which is tabled at the AGM and marked “B” and initialled by the chairman of the AGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (b) the proposed annual caps in relation to transactions contemplated under the 2023 Engineering and Technical Services Framework Agreement as set out in the Circular be and are hereby approved and confirmed; and
- (c) any one Director be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the 2023 Engineering and Technical Services Framework Agreement.”

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

“THAT:

- (a) the 2023 Clinker and Cement Transactions Framework Agreements (a copy of which is tabled at the AGM and marked “C” and initialled by the chairman of the AGM for identification purpose) and the transactions contemplated thereunder be and are hereby approved and confirmed;
- (b) the proposed annual caps in relation to transactions contemplated under the 2023 Clinker and Cement Transactions Framework Agreements as set out in the Circular be and are hereby approved and confirmed; and
- (c) any one Director be and is hereby generally and unconditionally authorised to do all such further acts and things and to sign and execute all such other or further documents and to take all such steps which in the opinion of the Director may be necessary, appropriate, desirable or expedient to implement and/or give effect to the 2023 Clinker and Cement Transactions Framework Agreements.”

NOTICE OF ANNUAL GENERAL MEETING

SPECIAL RESOLUTION

10. To consider and, if thought fit, pass with or without amendments, the following resolution as a special resolution:

“THAT:

- (a) the amendments to the Memorandum and Articles of Association of the Company set out in Appendix IV to the circular of the Company dated 3 May 2023 of which this notice forms part be and are hereby approved and the new Memorandum and Articles of Association (a copy of which is tabled at the AGM and marked “D” and initialled by the chairman of the AGM for identification purpose) be and is hereby adopted as the new Memorandum and Articles of Association of the Company; and
- (b) any one Director or Company Secretary of the Company be and is hereby authorised to do all such acts and things (including filing the new Memorandum and Articles of Association of the Company with the relevant authorities for approval, endorsement and/or registration as appropriate) and execute and deliver all such documents, deeds or instruments (including affixing the common seal of the Company thereon) and take all such steps as the Director in his or her sole opinion and absolute discretion may consider necessary, appropriate or desirable to implement or give effect to the proposed amendments.”

By Order of the Board
China Shanshui Cement Group Limited
LI Huibao
Chairman

Hong Kong, 3 May 2023

Notes:

- (i) All resolutions at the meeting will be taken by poll (except where the chairman of the annual general meeting decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Listing Rules. The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (ii) For determining the entitlement to attend and vote at the meeting, the register of members of the Company will be closed from Monday, 22 May 2023 to Thursday, 25 May 2023, both days inclusive, during which period no transfer of shares will be registered. In order to qualify for attending and voting at the annual general meeting, 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 Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong by no later than 4:30 p.m. on Friday, 19 May 2023.

NOTICE OF ANNUAL GENERAL MEETING

- (iii) A shareholder of the Company who is entitled to attend and vote at the annual general meeting covered by the above notice is entitled to appoint a proxy to attend and vote on his behalf. A proxy need not to be a shareholder of the Company but must attend in person to represent the shareholder. A shareholder of the Company who is the holder of two or more shares is entitled to appoint one or more person(s) as his proxy/proxies to attend and, on a poll, vote instead of him. If more than one proxy is so appointed, the appointment shall specify the number and class of shares in respect of which each such proxy is so appointed.
- (iv) Where there are joint holders of any share of the Company, any one of such joint holders may vote at the annual general meeting, either in person or by proxy, in respect of such share as if he were solely entitled thereto, but if more than one of such joint holders are present at the annual general meeting, then one of the said persons so present whose name stands first on the register of shareholders of the Company in respect of such share shall alone be entitled to vote in respect thereof.
- (v) To be valid, the instrument appointing a proxy and 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, not less than 48 hours before the time appointed for holding the annual general meeting (i.e. not later than 9:30 a.m. on Tuesday, 23 May 2023) or any adjourned meeting thereof (as the case may be). Completion and return of an instrument appointing a proxy shall not preclude a shareholder from attending and voting in person at the annual general meeting or at any adjourned meeting thereof (as the case may be).
- (vi) References to time and dates in this notice are to Hong Kong time and dates.

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