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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)****(I) REQUISITION BY SHAREHOLDERS; AND
(II) NOTICE OF EGM***Financial adviser to the Company*

馮銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

Capitalised terms used in this cover page shall have the same meanings as those defined in this circular unless otherwise stated.

A letter from the Board is set out on pages 3 to 15 of this circular. A notice convening the EGM to be held at 10 am on Wednesday, 8 March 2017 at Room 1 and Room 2, United Conference Centre Limited, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong is set out on pages 16 to 18 of this circular. A form of proxy for use at the EGM is also enclosed. Such form of proxy is also published on the website of The Stock Exchange (www.hkexnews.hk). Whether or not you are able to attend the EGM, you are requested to complete the form of proxy in accordance with the instructions printed thereon and return it to the Company's Hong Kong share registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the holding of the meeting. Completion and return of the form of proxy will not preclude shareholders of the Company from attending and voting at the meeting if they so wish.

16 February 2017

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DEFINITIONS

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

“ACC”	Asia Cement Corporation, a substantial Shareholder holding 708,263,500 Shares as at the Latest Practicable Date
“Articles”	the amended and restated memorandum and articles of association of the Company adopted on 16 May 2014
“Board”	the board of directors of the Company
“Circular”	the circular of the Company dated 30 December 2016 relating to, among others, the Placing
“CNBM”	China National Building Material Company Limited, a substantial Shareholder holding 563,190,040 Shares as at the Latest Practicable Date
“Company”	China Shanshui Cement Group Limited, a company incorporated in the Cayman Islands with limited liability whose issued Shares are listed on the Main Board of the Stock Exchange (stock code: 691)
“Director(s)”	the director(s) of the Company
“EGM”	the extraordinary general meeting of the Company dated 8 March 2017 to be convened and held to consider and, if thought fit, to approve, among other things, the resolutions set out in the Requisition Letter
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Latest Practicable Date”	14 February 2017, being the latest practicable date prior to the printing of this circular for ascertaining certain information for inclusion in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended from time to time
“Placing”	the placing of new Shares under specific mandate, details of which were set out in the circular of the Company dated 30 December 2016

DEFINITIONS

“Placing EGM”	the extraordinary general meeting of the Company dated 17 February 2017 to be convened and held to consider and, if thought fit, to approve, among other things, the Placing
“PRC”	the People’s Republic of China but excluding, for the purpose of this circular, Hong Kong, Macau Special Administration Region of the People’s Republic of China and Taiwan
“Requisitionists”	collectively Asia Cement Pioneer Investment Ltd., Asia Cement Pioneer II Investment Ltd., Asia Cement Pioneer III Investment Ltd., Asia Cement Pioneer IV Investment Ltd., Asia Cement Explorer Investment Ltd., AC Mega Investment Ltd., AC Mega II Investment Ltd., AC Mega III Investment Ltd., AC Mega IV Investment Ltd., AC Leap Investment Ltd. and Asia Investment Corporation
“Requisitions”	the requisitioned resolutions set out in the Requisition Letter
“Requisition Letter”	the requisition letter dated 27 January 2017 from the Requisitionists
“Share(s)”	ordinary share(s) of nominal 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 Limited
“Tianrui”	Tianrui Group Company Limited, a substantial Shareholder holding 951,462,000 Shares as at the Latest Practicable Date
“US\$”	United States dollars, the lawful currency of the United States
“Zhangs”	Zhang Caikui and Zhang Bin, former directors of the Company
“%”	per cent.

LETTER FROM THE BOARD



CHINA SHANSHUI CEMENT GROUP LIMITED

中國山水水泥集團有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 691)

Executive Directors

Mr. LIU Yiu Keung, Stephen (*Chairman*)

Mr. LI Heping

Mr. HWA Guo Wai, Godwin

Non-executive Director

Mr. CHONG Cha Hwa

Independent Non-executive Directors

Ms. HO Man Kay, Angela

Mr. LAW Pui Cheung

Mr. WONG Chi Keung

Dr. CHING Siu Ming

Mr. LO Chung Hing

Alternate Director

Mr. YEN Ching Wai, David

To the Shareholders

Registered office

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Cayman Islands

Principal office in Hong Kong

Room 2609, 26/F

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89 Queensway, Admiralty

Hong Kong

16 February 2017

Dear Sir or Madam,

**(I) REQUISITION BY SHAREHOLDERS; AND
(II) NOTICE OF EGM**

1. INTRODUCTION

Reference is made to the announcement of the Company dated 8 February 2017 in relation to the Requisitions. The EGM will be held to consider all the resolutions as proposed in the Requisitions.

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The purpose of this circular is to (i) provide you with information in relation to the Requisitions; (ii) set out the recommendations of the Board in relation to the Requisitions; and (iii) issue the notice of EGM at which the Shareholders shall be asked to consider and, if thought fit, approve the resolutions in respect of the Requisitions.

2. THE REQUISITIONS

On 27 January 2017, the Company received the Requisition Letter from the Requisitionists. As stipulated in the Requisition Letter, the Requisitionists are the registered shareholders of the Company collectively holding, as the date of the Requisition Letter, an aggregate of 354,478,000 ordinary shares in the capital of the Company representing approximately 10.49% of the total issued share capital of the Company. The Requisitionists requested the board of director of the Company to convene an extraordinary general meeting of the Company (the “**Requisition EGM**”) for the purpose of considering and, if thought fit, passing the following resolutions as ordinary resolutions of the Company:

1. proceed forthwith to convene and hold an extraordinary general meeting on or before 13 February 2017 for the purpose of considering and, if thought fit, passing as ordinary resolutions Resolution (1), Resolution (2), Resolution (3) and Resolution (4A) set out below; or
2. if, under the applicable laws and the Articles, it is not practicable for the board of directors of the Company to convene and/or hold the Requisition EGM prior to the date of the Placing EGM, amend the notice of the Placing EGM (the “**Existing Notice**”) to such extent that it shall include, Resolution (1), Resolution (2), Resolution (3) and Resolution (4B) set out below as ordinary resolutions for the shareholders of the Company to consider and, if thought fit, pass at the Placing EGM; and such resolutions shall be put forward for voting by the shareholders of the Company before resolution (1) and resolution (2) set out in the Existing Notice, both of which shall be amended as Resolution (5) and Resolution (6) respectively.

Resolution 1

“THAT an independent financial advisor (the “**Independent Financial Advisor**”) be selected by the independent board committee of the Company and appointed by the Company at its own costs to advise the shareholders of the Company in the form of a letter (the “**IFA Letter**”) on the transactions contemplated under the Circular (the “**Proposed Transactions**”) as to whether the terms thereof are fair and reasonable and whether the Proposed Transactions are in the interests of the Company and its shareholders as a whole based on the Updated Financial Information (as defined below).”

Resolution 2

“THAT the board of directors of the Company be and is hereby authorized and directed to consider the merits of the Proposed Transactions based on the updated and complete financial information of the Group (including such financial information consolidating all

LETTER FROM THE BOARD

operating subsidiaries of the Group for the 12-month period ended and as at 31 December 2016) (the “**Updated Financial Information**”) and to publish the Updated Financial Information and, upon such consideration, provide the rationale behind their decisions in a supplemental Circular (the “**Supplemental Circular**”) prior to any general meeting to be held to consider the Proposed Transactions.”

Resolution 3

“THAT the board of directors of the Company be directed not to convene and/or hold any general meeting of the Company to consider the Proposed Transactions until the Supplemental Circular, together with the IFA Letter, are issued and shareholders of the Company have been given adequate time to consider the same.”

Resolution 4A

“THAT any general meeting of the Company previously convened by either the shareholders or the board of directors of the Company, including the Placing EGM but excluding the Requisition EGM, be and is hereby adjourned until the publication by the Company of both (i) the IFA Letter and (ii) the Supplemental Circular.”

Resolution 4B

“THAT any general meeting of the Company previously convened by either the shareholders or the board of directors of the Company, including the Requisition EGM, be and is hereby adjourned until the publication by the Company of both (i) the IFA Letter and (ii) the Supplemental Circular.”

The following is the reasons for the Requisitions as reproduced from the Requisition Letter:

“Outdated and Incomplete Financial Information

As the Company acknowledges in the Circular, the minimum placing price represents a discount of approximately 92.1% to the closing price of HK\$6.29 per share quoted on the Stock Exchange on the last trading day of the shares of the Company and a discount of approximately 55% to the consolidated net assets per share of approximately HK\$1.11 based on the accounts of the Company as at 30 June 2016 which are, themselves, unaudited and incomplete.

Shareholders of the Company including us do not have the latest available or complete financial information of the Group. The only thing the shareholders can rely on in deciding how to vote at the Placing EGM is the information set out in the Circular and the unaudited and incomplete financial statements which are over 6 months old with the last annual financial accounts of more than 12 months old which do not reflect the financial condition of the entire Group.

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In the 2014 annual report, the auditors of the Company expressed that the financial statements “*give a true and fair view of the state of affairs of the Company and of the Group as at 31 December 2014*” and according to the 2014 financial statements, the consolidated net assets per share as at 31 December 2014 was RMB3.36 or HK\$4.03 (based on the exchange rate of RMB1: HK\$1.12). In the 2015 annual report, the auditors of the Company expressed that it was not possible to form an opinion on the consolidated financial statements due to various reasons. According to the Circular, it is expressed by the Company that based on the unaudited financial information of the Company up to 30 June 2016, the consolidated net assets per share was only approximately HK\$1.11. The significant reduction of the consolidated net assets per share (2014 audited full year vs. 2016 unaudited first half), and the Company’s reliance on outdated financial information when more up to date financial information was clearly available underscore the importance of obtaining advice from independent financial advisor based on the 2016 full year financial information so as to enable the shareholders to make an informed decision based on relevant financial information.

The discounts represented by the minimum placing price are extraordinary and no rational justification is provided in the Circular. What is more alarming is that the placing price is said to have been arrived at after “arm’s length negotiation”, presumably based on the Group’s outdated and incomplete financial information. The information in the Circular is simply inadequate and misleading for any shareholder to consider the proposed Placing and insufficient for the shareholders to consider, no less support, the proposed Placing.

Conflicting Representations on the Financial Information

The Company has issued numerous announcements since the Circular attempting to clarify the conflicting financial conditions of the Group which have become public. Nevertheless, the Company’s latest announcement dated 12 January 2017 on this issue states that “the financial performance of the Company can only be ascertained after the completion of its annual audit at consolidation level.”

Given the contradictory financial information relating to the recent performance of the Group, it is alarming that the Company would attempt to push through with the proposed Placing with no reliable information for the shareholders to consider. Although the annual audit of the Company for the 12-month period ended and as at 31 December 2016 might not be completed yet, the board of directors of the Company should be in possession of more updated financial information of the Group by virtue of its internally prepared management accounts covering the same period. The failure of the Group to provide such up to date and complete financial information in the Circular means no shareholder can determine whether the low minimum placing price or even the proposed Placing itself would be in the best interests of the Company and the shareholders as a whole based on the current financial condition of the Group.

LETTER FROM THE BOARD

Updated and Complete Financial Information and Advice from Independent Financial Advisor Required

As stated in the Listing Decision of the Stock Exchange published in July 2010 and updated in April 2015, “a shareholder should be able to protect his proportion of total equity by having the opportunity to subscribe for any new issue of equity securities, unless shareholders otherwise permit. The pre-emptive rights may be waived by shareholders on a general basis but only under Rules 13.36(2) and (3) (i.e. a general mandate) which restrict the size and price for the new shares that can be issued. Accordingly, any proposal to issue new shares which exceed the limits of Rule 13.36(2) should be considered by shareholders on a case by case basis under Rule 13.36(1). In seeking the specific approval, the issuer must give shareholders sufficient information to enable them to make an informed assessment of the issue. The Exchange would not grant listing approval for the new shares if the mandate is in substance a “general” one and a means to circumvent Rule 13.36(2).”

In the proposed Placing, the minimum placing price represents more than a 90% discount to the last closing price based on outdated and incomplete financial information which apparently does not reflect the actual financial condition of the Group. We appreciate that HK\$0.50 is stated as the “minimum” placing price and the final placing price may be higher than such minimum price. However, such benchmark must have been determined by the board of directors of the Company as the appropriate value for the proposed Placing in case it could only proceed to place its shares at the minimum placing price. The factors taken into account by the board of directors of the Company in reaching such decision have not been sufficiently and satisfactorily disclosed in the Circular and all the shareholders of the Company require a more detailed explanation on how this valuation was arrived at. In short, the Circular has failed to provide sufficient information to the shareholders to enable them to make an informed assessment of the transactions contemplated thereby.

Based on the foregoing, the Company should publish a supplemental Circular to disclose updated and complete financial information of the Group for the shareholders’ consideration under the Listing Rules.

Further, in the absence of any valid justification provided in the Circular in support of the huge discount represented by the minimum placing price to the last closing price and the significant size of the proposed Placing, there is no basis to determine whether the terms of the proposed Placing are fair and reasonable and in the interests of the Company and its shareholders as a whole. In this regard, the Company should appoint an independent financial advisor to advise the shareholders on the proposed Placing based on the more updated and complete financial information of the Group as are currently available.

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In light of the above circumstances, in particular the extraordinary terms and significant size of the proposed Placing and the irreversible dilutive effects on the shareholding of the public shareholders of the Company, we believe the resolutions proposed above are in the interests of the Company and its shareholders as a whole.

Abstain from Voting

In the Circular and the related preceding announcements, the Company sought a specific mandate from the shareholders to approve the proposed Placing and concluded that no shareholders would be required to abstain from voting on the proposed transactions as none of the shareholders have a material interest in the transactions contemplated thereunder. The Company's position in this regard is wrong and prejudicial to the interests of the shareholders as a whole.

It has become clear that the proposed Placing, notwithstanding its universal dilutive effect on the shareholding of all shareholders of the Company, would benefit one substantial shareholder at the expense of others. Tianrui issued an undertaking in favor of the Company, China Shanshui Investment Company Limited, the Grand Court of the Cayman Islands and Citicorp International Limited as trustee of the holders of the US\$500 million 7.5% senior notes due 2020 (the "Notes") on 17 November 2015 (the "**Deed of Undertaking**") pursuant to which Tianrui undertook to procure that the Company had sufficient funds to repurchase the Notes in full by 31 December 2015.

Further, according to the letter of 28 November 2015 from K&L Gates, the solicitors for Tianrui, to the solicitors for our holding company, Asia Cement Corporation and the solicitors for the holders of the Notes, Tianrui would, pursuant to the Deed of Undertaking, arrange for repayment of the Notes as soon as the Company's board was reconstituted at the extraordinary general meeting of the Company held on 1 December 2015 as requisitioned.

However, according to the announcement of the Company of 28 October 2016, the purchase price of the Notes tendered for the Company to repurchase still has not been repaid in full because Tianrui has failed to comply with its undertaking. Tianrui is, therefore, in breach of the Deed of Undertaking as well as the representations it made through its solicitors.

The Company states in the Circular that it intends to apply the net proceeds arising from the proposed Placing to settle the outstanding debts of the Group, which include the Notes. In other words, the proposed Placing, if approved at the February EGM, relieves Tianrui from its unfulfilled obligations to procure that CSC has sufficient funds to repurchase the Notes in full and, most importantly, discharges its legal liabilities arising from its breach of the Deed of Undertaking.

Based on the foregoing, Tianrui has a material interest in the proposed Placing and the Company should (i) notify Tianrui that it shall abstain from voting in favor of the resolutions to approve the proposed Placing and (ii) discount such votes if it does not abstain from voting."

LETTER FROM THE BOARD

3. THE BOARD'S RECOMMENDATIONS

It should be noted that the first announcement and circular relating to the Proposed Transactions were published on 12 September 2016 and 30 December 2016 respectively, which is 137 days and 28 days from the date of the Requisition Letter. The Company is not in a position to second guess the motive of the chosen time of the Requisitionists in making a requisition so close to the EGM, and the Company therefore does not make any conjecture thereof.

After taking due care to verify the Requisition Letter and consulting with its legal advisers, the chosen time of making the Requisitions by the Requisitionists leave insufficient time to the Board for convening an extraordinary general meeting in the time and manner requisitioned by the Requisitionist. The Board disagrees with the reasons for the Requisitions as set out in the Requisition Letter and the resolutions therein but in compliance with the relevant notice period requirements, the Board convenes the EGM pursuant to Article 12.3 of the Articles.

Certain Historical Facts about the Requisitionists while it has Representation on the Board of the Company

The Requisitionists jointly with CNBM put forth a Voluntary General Offer (“VGO”) for all the shares of the Company on 21 July 2015 (as per the Company’s announcement dated 21 July 2015), despite repeated inquiries from the Company, no bona fide offer was ever proposed. The Company finally resorted to seeking a PUT UP or SHUT UP ruling from the SFC, and such proposed VGO was terminated on 10 May 2016 (as per the Company’s announcement dated 11 May 2016). As a result of the VGO made by the Requisitionists in bad faith, the Company was greatly hindered in its ability to seek funding to address its financial needs and caused detrimental consequences on the Company.

In September 2015, during the VGO period, the Company under the management of the Zhangs and the Company’s board partially populated by representatives from ACC and CNBM, had applied with regulators for an open offer of 33 new Shares for 100 Shares to raise funds of about US\$505 million (“**2015 Open Offer**”) with the endorsement from ACC and CNBM as the offerors of the VGO. Such Open Offer initiative, carried out in a period while the Requisitionists had representation on the Board of the Company, which could have potentially significant dilution effect on shareholders was only consulted with ACC and CNBM but no other shareholders was ever notified. However, in June 2016, the Company under the incumbent Board invited ACC and CNBM to participate in the proposed open offer of 4 new Shares for 1 Share to raise about HK\$4 billion (“**2016 Open Offer**”) as underwriters and to have a meeting for discussion. But, contradictory to ACC and CNBM’s support to the 2015 Open Offer, none of them expressed interest in the 2016 Open Offer or even a meeting with the Company. It would appear that the definition of “transparency” is not entirely consistent.

While the Requisitionists were part of the management board of the Company, along with the Zhangs, the Requisitionists, without any prior notices to the shareholders, initiated an action in Cayman Islands to self-liquidate the Company in November 2015 and thus causing irreparable damages to all the shareholders and creditors of the Company. The aversion of such

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self-liquidation has caused damages to the Company. It should be noted that ACC pro-actively participated in the liquidation initiative by further filing the Cayman Court its support of such initiative and declaring itself in documents it filed to be a creditor of the Company in addition to being a shareholder of the Company which the Requisitionists deemed such information as unnecessary to declare earlier as potential “conflict of interest” in respect of the Company or other shareholders.

While the Requisitionists were part of the management, the Requisitionists voted in an extraordinary general meeting of the Company dated 13 October 2015 in favor to remove Zhang Caikui from the board of the Company. However the Requisitionists’ representative directors on the board of the Company allowed Zhang Caikui to maintain his directorship in the subsidiaries of the Company. Such action of turning a blind eye to and took no steps resulted in the facilitation of the subsequent actions by the Zhangs to modify the Article of Association of a major subsidiary of the Company in PRC in a manner detrimental to the Company on 14 October 2015. Such illegal modification and the continued and unauthorized withholding of the said subsidiary’s legal chop by the Zhangs had a significant detrimental effect on the Company.

Sufficient information have been provided pursuant to the Listing Rules

The net asset per Share decreased substantially from approximately HK\$4.03 per Share as at 31 December 2014 to approximately HK\$1.11 per Share as at 30 June 2016 was mainly due to the mismanagement of the Company by the Company’s former board, the representatives from ACC and CNBM and the Zhangs before their removal by the Shareholders at the extraordinary general meeting of the Company held on 1 December 2015. Based on the management accounts of the Group, there is no material change in the financial position of the Group as at 31 December 2016 compared with that as at 30 June 2016. The Shareholders have been provided with adequate information to make an informed decision at the Placing EGM pursuant to the Listing Rules.

Due care of the Company in the publishing of financial information

Mi Jingtian (“**Mr. Mi**”), the former deputy general manager of Shandong Shanshui Cement Group Co., Ltd (“**Shandong Shanshui**”, a wholly-owned subsidiary of the Company), made certain misleading representation as to the financial status of Shandong Shanshui in a public media event in mid-December 2016 and without the authorization of the Company which prompted an inquiry from the Stock Exchange. The Company considered that the release of unreliable financial information and speculative projection of the Group to the market by Mr. Mi could cause market confusion and Mr. Mi had not exercised his due care as a senior management of the Group. Having taken into account the investigation report from JLA Asia Limited, the Company removed Mr. Mi from all his duties, powers functions and authorities in Shandong Shanshui and all its subsidiaries, including his directorship and the position of deputy general manager in Shandong Shanshui and all his employment relationship with the Company, its subsidiaries and its related group companies, with immediate effect on 12 January 2017.

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The Company disagrees with the publication of any inaccurate financial information which causes market confusion. The Company has appointed KPMG to conduct an audit of the Company for the year ended 31 December 2016 and will issue an announcement relating to results of the Group as soon as practicable after completion of the audit.

It should be noted that Ms. Doris Wu (“**Ms. Wu**”) who is a former director of the Company and is currently a director of the listed entity of the group of companies that the Requisitionists belongs to, had publicly questioned and disagreed with the Company’s action to remove Mr. Mi. Even though the Company engaged an independent professional firm to perform an independent investigation and made two separate announcements dated 20 December 2016 and 12 January 2017 to promptly inform the shareholders on the matter. “*If Mr. Mi’s representations were misleading, to what extent a removal is required?*” (*In Chinese: “如果宓敬田發佈信息錯誤,到底錯到什麼程度,要免除其職務?”*) as Ms. Wu was being quoted in the Jinan Shibao dated 16 January 2017 subsequently. With reference to the Company’s announcement dated 12 January 2017, the result of the investigation stated that the representations made by Mr. Mi may have a material impact on the price of the debt securities of Shandong Shanshui listed on the PRC Inter-bank market. Accordingly, pursuant to the various definitions, rules and guidelines under the Listing Rules and the Securities and Futures Ordinance, it would appear that the representations made by Mr. Mi and published in the article constitute “inside information” and may mislead the public and investors.

Clear basis for the determination of the placing price has been set out in the Circular

The Circular has already set out that:

- (i) the minimum placing price of the Placing was arrived at after arm’s length negotiation between the Company and the placing agents with reference to, among other things, (i) the net current liabilities of the Group of approximately RMB17,630 million as at 30 June 2016; (ii) the net asset per Share of the Group of HK\$1.11 as at 30 June 2016; (iii) price to book ratio of cement companies listed on the Stock Exchange; (iv) the prolonged suspension of trading in the Shares since 16 April 2015; and (v) the outstanding financial liabilities of the Group and litigations involving the Group; and
- (ii) the final Placing Price will be determined by the Company and the placing agents, whom all had no prior business relations with Company, with reference to, among other things, market conditions and potential investors’ response to the Placing.

The Requisitionists ignored the determination basis set out in the Circular and asked for advice from an independent financial adviser at the cost of the Company. Shareholders should be informed that ACC is a listed company in Taiwan and an experienced investor and operator in the cement industry in the PRC, which can be further confirmed by statements made by Ms. Wu in documents filed in the Grand Court of Cayman Islands. Moreover, Ms. Wu had already expressed ACC’s disagreement with the Placing and the Placing price in Jinan Shibao on 16 January 2017. The Company is doubtful of ACC’s genuine need to have an advice from an independent financial adviser at the cost of the Company.

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The Circular was published in strict compliance to the Company Ordinance in the Cayman Islands, and in Hong Kong and also in strict compliance of the Listing Rules. As such, the Circular has provided all the information required under the Listing Rules for a placing under a specific mandate to the Shareholders to make an informed decision at the Placing EGM.

No Shareholder is required to abstain from voting

As at 31 December 2016, the Group had outstanding bank loans, notes and other borrowings of approximately RMB15 billion while the net proceeds from the Placing is only approximately HK\$456.25 million. The main objective of the Placing is to restore the public float of the Company and the resumption of trading in the Shares. The resumption of trading in the Shares is material for the future fund raisings of the Company so as to improve the financial condition of the Company, hence, will benefit all Shareholders, as such none of the Shareholders have a material interest in the Placing that is different from the other Shareholders and shall abstain from voting at the Placing EGM.

Instead of taking action to postpone the resumption of trading in the Shares which is against the interest of the Company and the Shareholders, the Company encourages ACC and other Shareholders to submit proposals to the Company for providing financial assistance or assisting the Company in the restructuring of its debt. It should be noted that, since such request was made back in June 2016, and to the date of this circular, no proposal and no financial support was ever rendered to the Company by ACC.

Relevant Background and Historical Facts about the Requisitionists/Legal Actions against the Requisitionists

Following the change of the board at the extraordinary general meeting of the Company on 1 December 2015, the Company has been taking diligent steps to look into the misconducts of the former board (including the Requisitionists). Insofar as the Requisitionists are concerned, the Company refers in particular to the following:

- (1) On 21 July 2015, the Requisitionists jointly with CNBM put forth a possible VGO for all the shares of the Company (as per the Company's announcement dated 21 July 2015), despite repeated inquiries from the Company, they never proposed any actual offer. The Company finally resorted to obtaining a so-called "PUT UP OR SHUT UP" ruling from the SFC, and such proposed VGO was terminated on 10 May 2016 (as per the Company's announcement dated 11 May 2016). As a result of the Requisitionists' bad faith VGO, the Company was greatly frustrated in its ability to seek funding to address its financial needs and resulting in detrimental consequences.
- (2) In September 2015 (during VGO period), the Requisitionists (together with the former board then in the control of the Zhangs) had applied to the regulators for an open offer of 33 for 100 to raise funds of approximately US\$505 million on the basis

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that if the VGO becomes a firm offer, or there would be a change of control (as a result of the requisition notice issued by Tianrui in its capacity as the shareholders of the Company), either of the events would trigger the redemption of 2020 Notes that the Company would need substantial funds to redeem.

Against the above background, the Company commenced legal proceedings under HCA 2880 of 2015 in December 2015 against the former directors of the Company namely Zhang Caikui, Zhang Bin and Li Cheung Hung. On 17 December 2015, China Shanshui Cement Group (Hong Kong) Company Limited and China Pioneer Cement (Hong Kong) Company Limited (which are the wholly owned subsidiaries of the Company) were added as Plaintiffs and an additional of 5 former directors were added as Defendants in the Writ, Chang Zhangli of CNBM, Wu Ling-Ling (also known as Doris Wu), Lee Kuan-Chun (also known as Champion Lee), Zeng Xuemin and Shen Bing.

The Company's claims in HCA 2880 of 2015 are for (inter alia) (1) various injunctive reliefs, including restraining them from acting on the unlawfully altered articles of association of Shandong Cement; (2) an order for identifying the current whereabouts of or return the books, records, accounts or computer data or other documents etc., and (3) damages and/or equitable compensation as a result of the misconduct of the former directors. The Company's pleaded case against the Requisitionists includes but not limited to:

- (1) In or about late October 2015, the memorandum of association and articles of association of Shandong Shanshui was unlawfully altered by the Zhangs (during which the then directors of the Company including Ms. Doris Wu nominated by the Requisitionists had and should have unduly endorsed it or neglected to act on it promptly) with the net effect of (inter alia) to enable the Zhangs to misappropriate the Company's most valuable subsidiary, Shandong Shanshui.
- (2) On 13 October 2015, and in anticipation of (unlawfully) putting the Company in liquidation, the Requisitionists collaborated with the Zhangs (and others) to unlawfully disallow CSI from voting its share at the extraordinary general meeting of the Company on 13 October 2015 resulting in the defeat of the proposals for the removal of certain board members (which CSI would have supported) proposed by Tianrui and other directors nominated by the Requisitionists be appointed.
- (3) On 10 November 2015, the Requisitionists in collaboration with the Zhangs and others resolved at a purported board meeting to put the Company in winding up. Ms. Doris Wu of the Requisitionists had filed affirmation in the Winding Up proceedings in the Grand Cayman Courts to support the liquidation.
- (4) Following the change of the board at the EGM on 1 December 2015, the board notices that the essential books and records of the Company (and its 2 wholly-owned subsidiaries) had been unlawfully removed from the Hong Kong Office.

LETTER FROM THE BOARD

On 24 December 2015, the Company obtained the interlocutory injunction orders (the “**December Injunction Orders**”) against the Zhangs, Li Cheung Hung, Chang Cheungli and Wu Lingling compelling them to (inter alia) disclose and deliver the documents to the Company. The December Injunction Orders were varied and continued on 8 January 2016.

On 8 January 2016, the Company obtained further interlocutory injunction orders (the “**January Injunction Orders**”) against the Zhangs to (inter alia) restrain them from acting upon or exercising any power or entitlement pursuant to the unlawfully altered articles of association of Shandong Cement and execute amendments to the said unlawfully altered articles of association of Shandong Cement to invalidate or reverse the unlawful amendments (and the form of which was approved by the Court on 13 January 2016) (the “**Corrective Amendments**”). The January Injunction Orders remain in effect.

Upon service of the January Injunction Orders on the Zhangs, both of them have failed and/or refused to (inter alia) execute the Corrective Amendments within the prescribed time. Subsequently, the Company has applied to the High Court for the court execution of the Court Order. Such execution was carried out by the High Court on 20 April 2016. As such, the continued actions by the Zhangs are in direct contradiction with the High Court’s judgment and execution.

On 7 April 2016, CNBM and ACC (amongst the Requisitionists) were joined as the additional Defendants to the Action premised on the conspiracy claim.

Following the non-compliance of the January Injunction Orders, contempt proceedings against the Zhangs have been commenced under HCMP 1574 of 2016 and the substantive hearing is fixed to be heard on 28 September 2017.

On 4 November 2016, the Company has obtained a Worldwide Injunction against the Zhangs with the effect of prohibiting the 1st and 2nd Defendants from disposing of their assets within Hong Kong up to the value of HK\$411 million. The Worldwide Injunction remains in force and anyone assists the Zhangs in breaching the Worldwide Injunction may amount to contempt. The substantive hearing is fixed for 7 June 2017.

The cross-examination of Li Cheung Hung (i.e. the 3rd Defendant in HCA 2880 of 2015) is fixed for 2 March 2017 in relation to his purported compliance with the December Injunction Orders.

Impact of the Requisitions on the Placing

Since the Placing EGM will be held prior to the EGM, in the event that the Placing is approved by the Shareholders at the Placing EGM and if the Placing EGM is not adjourned, the legal advisers confirmed to the Company that save for Resolution 1, other Resolutions of the Requisitions would not be legally binding on the Company if they are approved at the EGM.

LETTER FROM THE BOARD

Having considered the above, the Board considers the Requisitions are not fair and reasonable and acting not in the best interest of the Company and the Shareholders. Therefore, the Board recommends the Shareholders to **Vote Against** the Requisitions at the EGM.

4. NOTICE OF EGM

Set out on pages 16 to 18 of this circular is the notice of EGM at which, *inter alia*, ordinary resolutions will be proposed to Shareholders to consider and approve.

5. FORM OF PROXY

A form of proxy for use at the EGM is enclosed. Whether or not you are able to attend the EGM in person, please complete the accompanying form of proxy in accordance with the instructions printed thereon and return it to the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Ltd at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, as soon as possible and in any event not later than 48 hours before the time appointed for holding of the EGM. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof (as the case may be) should you so wish and in such event, the proxy shall be deemed to be revoked.

6. RESPONSIBILITY STATEMENT

This circular, for which the Board collectively and individually accepts full responsibility (save for the information reproduced from the Requisition Letter), includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Board, having made all reasonable enquiries, confirm that, to the best of its knowledge and belief, the information contained in this circular (save for the information reproduced from the Requisition Letter) 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 in this circular or this circular misleading.

Yours faithfully
By order of the Board
China Shanshui Cement Group Limited
Liu Yiu Keung, Stephen
Chairman

NOTICE OF EGM



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 EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT an extraordinary general meeting (the “**EGM**” or the “**Meeting**”) of China Shanshui Cement Group Limited (the “**Company**”) will be held at Room 1 and Room 2, United Conference Centre Limited, 10/F., United Centre, 95 Queensway, Admiralty, Hong Kong, at 10 a.m. on Wednesday, 8 March 2017 for the purpose of considering and, if thought fit, passing with or without amendments, the following resolution as ordinary resolution of the Company:

ORDINARY RESOLUTIONS

1. “THAT an independent financial advisor (the “**Independent Financial Advisor**”) be selected by the independent board committee of the Company and appointed by the Company at its own costs to advise the shareholders of the Company in the form of a letter (the “**IFA Letter**”) on the transactions contemplated under the circular of the Company dated 30 December 2016 (“**Circular**”) (the “**Proposed Transactions**”) as to whether the terms thereof are fair and reasonable and whether the Proposed Transactions are in the interests of the Company and its shareholders as a whole based on the Updated Financial Information (as defined below).”
2. “THAT the board of directors of the Company be and is hereby authorized and directed to consider the merits of the Proposed Transactions based on the updated and complete financial information of the Group (including such financial information consolidating all operating subsidiaries of the Group for the 12-month period ended and as at 31 December 2016) (the “**Updated Financial Information**”) and to publish the Updated Financial Information and, upon such consideration, provide the rationale behind their decisions in a supplemental Circular (the “**Supplemental Circular**”) prior to any general meeting to be held to consider the Proposed Transactions.”
3. “THAT the board of directors of the Company be directed not to convene and/or hold any general meeting of the Company to consider the Proposed Transactions until the Supplemental Circular, together with the IFA Letter, are issued and shareholders of the Company have been given adequate time to consider the same.”

NOTICE OF EGM

4. “THAT any general meeting of the Company previously convened by either the shareholders or the board of directors of the Company, including the extraordinary general meeting of the Company dated 17 February 2017 but excluding this extraordinary general meeting, be and is hereby adjourned until the publication by the Company of both (i) the IFA Letter and (ii) the Supplemental Circular.”

5. “THAT any general meeting of the Company previously convened by either the shareholders or the board of directors of the Company, including this extraordinary general meeting, be and is hereby adjourned until the publication by the Company of both (i) the IFA Letter and (ii) the Supplemental Circular.”

By order of the Board
China Shanshui Cement Group Limited
Liu Yiu Keung, Stephen
Chairman

Hong Kong, 16 February 2017

Registered office
P.O. Box 10008
Willow House, Cricket Square
Grand Cayman KY1-1001
Cayman Islands

Principal office in Hong Kong
Room 2609, 26/F
Tower 2, Lippo Centre
89 Queensway, Admiralty
Hong Kong

NOTICE OF EGM

Notes:

1. A form of proxy for use at the meeting is enclosed herewith.
2. The instrument appointing a proxy shall be in writing under the hand of the appointer or his/her attorney duly authorized in writing or, if the appointer is a corporation, either under its seal or under the hand of any officer, attorney or other person authorized to sign the same.
3. Any shareholder entitled to attend and vote at the meeting is entitled to appoint one or more proxies to attend and vote instead of him. A proxy need not be a shareholder of the Company.
4. In order to be valid, a form of proxy in the prescribed form together with the power of attorney or other authority (if any) under which it is signed must be deposited at the Company's share registrar and transfer office in Hong Kong, Computershare Hong Kong Investor Services Ltd at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong as soon as possible but in any event not less than 48 hours before the time scheduled for the EGM or any adjournment thereof.
5. Completion and return of the form of proxy will not preclude you from attending and voting in person at the meeting or at any adjourned meeting thereof (as the case may be) should you so wish, and in such an event, the form of proxy shall be deemed to be revoked.
6. Where there are joint registered holders of any share, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if he/she was solely entitled thereto, but if more than one of such joint holders are present at the meeting, whether in person or by proxy, the joint registered holder present whose name stands first on the register of members in respect of the shares shall be accepted to the exclusion of the votes of the other registered holders.
7. If Typhoon Signal No. 8 or above is expected to be hoisted or a Black Rainstorm Warning Signal is expected to be in force any time after 7:30 a.m. on the date of the meeting, then the meeting will be postponed. The Company will post an announcement on the website of the Company at (www.shanshuicement.com) and HKExnews website (www.hkexnews.hk) to notify shareholders of the date, time and place of the rescheduled meeting.

The meeting will be held as scheduled when an Amber or a Red Rainstorm Warning Signal is in force. Shareholders should decide on their own whether they would attend the meeting under bad weather condition bearing in mind their own situations.

As at the date of this circular, the Board comprises 3 executive directors, namely, LIU Yiu Keung, Stephen (YEN Ching Wai, David as his alternate), LI Heping and HWA Guo Wai, Godwin; and 1 non-executive director, namely, CHONG Cha Hwa; and 5 independent non-executive directors, namely, HO Man Kay, Angela, LAW Pui Cheung, WONG Chi Keung, CHING Siu Ming and LO Chung Hing.