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SUNNSY

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)

PRELIMINARY ANNOUCEMENTS OF RESULTS FOR THE YEAR ENDED 31 DECEMBER 2015

FINANCIAL HIGHLIGHTS

	For the year ended 31 December	
	2015	2014
	RMB'000	RMB'000
Turnover	**11,166,212**	15,596,440
(Loss) / profit from operations	**(4,869,076)**	1,812,813
Finance costs	**(1,597,179)**	(1,140,985)
(Loss) / profit for the year	**(6,693,655)**	308,578

	As at 31 December	
	2015	2014
	RMB'000	RMB'000
Non-current assets	**23,109,951**	26,645,735
Non-current liabilities	**772,186**	12,484,072
Current assets	**3,903,749**	7,049,762
Current liabilities	**21,748,349**	9,845,099
Net assets and equity	**4,493,165**	11,366,326

The Board of Directors (the "Board") of China Shanshui Cement Group Limited (the "Company") hereby announces the consolidated results of the Company and its subsidiaries (the "Group") for the year ended 31 December 2015, together with the comparative figures for the previous financial year. The annual results have been reviewed by the Audit Committee with the existing management. The auditors conducted the audit in accordance with Hong Kong Standards on Auditing issued by the Hong Kong Institute of Certified Public Accountants and issued a disclaimer of opinion for the Group's consolidated financial statements for the year ended 31 December 2015. Please refer to the Section of "Extract of Independent auditor's Report".

CONSOLIDATED STATEMENT OF PROFIT OR LOSS
Year ended 31 December 2015

	2015 *RMB'000*	2014 RMB'000
Turnover	**11,166,212**	15,596,440
Cost of sales	**(9,937,927)**	(12,249,575)
Gross profit	**1,228,285**	3,346,865
Other revenue	**146,323**	262,559
Other net expenses	**(3,412,320)**	(22,997)
Selling and marketing expenses	**(514,469)**	(527,168)
Administrative expenses	**(2,316,895)**	(1,246,446)
(Loss) / profit from operations	**(4,869,076)**	1,812,813
Finance costs	**(1,597,179)**	(1,140,985)
Share of profits less losses of associates	**(29,348)**	18,295
(Loss) / profit before taxation	**(6,495,603)**	690,123
Income tax	**(198,052)**	(381,545)
(Loss) / profit for the year	**(6,693,655)**	308,578
Attributable to:		
Equity shareholders of the Company	**(6,387,259)**	347,650
Non-controlling interests	**(306,396)**	(39,072)
(Loss) / profit for the year	**(6,693,655)**	308,578
(Loss) / earnings per share		
Basic (RMB)	**(1.89)**	0.12
Diluted (RMB)	**(1.89)**	0.12

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

Year ended 31 December 2015

	2015	2014
	RMB'000	RMB'000
(Loss) / profit for the year	**(6,693,655)**	308,578
Other comprehensive expenses for the year (after tax and reclassification adjustments)		
Item that will not be reclassified to profit or loss:		
Remeasurements of net defined benefit obligations	**(7,150)**	(14,300)
Item that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of financial statements of overseas subsidiaries	**(239,458)**	(15,579)
Available-for-sale securities: net movement in the fair value reserve	**(347)**	2,849
Other comprehensive expenses for the year	**(246,955)**	(27,030)
Total comprehensive (expenses) / income for the year	**(6,940,610)**	281,548
Attributable to:		
Equity shareholders of the Company	**(6,634,214)**	320,620
Non-controlling interests	**(306,396)**	(39,072)
Total comprehensive (expenses) / income for the year	**(6,940,610)**	281,548

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2015

	2015	2014
	RMB'000	RMB'000
NON-CURRENT ASSETS		
Fixed assets		
– Property, plant and equipment	**18,925,772**	20,108,485
– Lease prepayments	**2,350,193**	2,450,209
	21,275,965	22,558,694
Intangible assets	**554,683**	485,308
Goodwill	**14,223**	2,345,857
Other financial assets	**621,329**	674,793
Investments in associates	**293,353**	336,197
Deferred tax assets	**112,390**	244,886
Other long-term assets	**238,008**	-
	23,109,951	26,645,735
CURRENT ASSETS		
Inventories	**1,217,259**	2,055,585
Trade and bills receivable	**1,540,908**	2,090,619
Other receivables and prepayments	**881,373**	1,617,543
Pledged bank deposits	**41,302**	134,662
Cash and cash equivalents	**222,907**	1,151,353
	3,903,749	7,049,762
CURRENT LIABILITIES		
Short-term bank loans	**5,076,265**	1,747,878
Current portion of other borrowings	**2,800,329**	2,496,242
Current portion of long-term bonds	**7,724,843**	-
Trade and bills payable	**3,523,918**	3,540,565
Other payables and accrued expenses	**2,647,261**	1,960,821
Current portion of obligation under finance lease	**7,639**	10,530
Current taxation	**(31,906)**	89,063
	21,748,349	9,845,099
NET CURRENT LIABILITIES	**(17,844,600)**	(2,795,337)
TOTAL ASSETS LESS CURRENT LIABILITIES	**5,265,351**	23,850,398

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
31 December 2015

	2015 *RMB'000*	2014 RMB'000
NON-CURRENT LIABILITIES		
Long-term bank loans	**208,200**	2,775,390
Other borrowings less current portion	**3,513**	6,364
Long-term bonds less current portion	**-**	9,123,145
Obligation under finance lease	**-**	9,718
Defined benefit obligations	**174,660**	173,808
Deferred income	**295,599**	301,186
Long-term payables	**20,986**	32,475
Deferred tax liabilities	**69,228**	61,986
	772,186	12,484,072
NET ASSETS	**4,493,165**	11,366,326
CAPITAL AND RESERVES		
Share capital	**227,848**	227,848
Other statutory capital reserves	**4,654,010**	4,654,010
Share capital and other statutory capital reserves	**4,881,858**	4,881,858
Other (deficit) / reserves	**(851,606)**	5,716,109
TOTAL EQUITY ATTRIBUTABLE TO EQUITY SHAREHOLDERS OF THE COMPANY	**4,030,252**	10,597,967
Non-controlling interests	**462,913**	768,359
TOTAL EQUITY	**4,493,165**	11,366,326

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. BASIS OF PREPARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS

(i) Matters arising from the change in directors on 1 December 2015

As at 30 November 2015, the Company has 8 directors ("the Ex-Directors") with Zhang Bin, the son of Zhang Caikui who is the founder of the Company (together referred as "the Zhangs"), as the chairman of the board. Pursuant to the resolution of the extraordinary general meeting of the Company held on 1 December 2015, the Company removed all of the Ex-Directors from the board of the Company and newly appointed 9 directors on the same date ("the Existing Directors" or "the New Board").

Since 1 December 2015, the New Board began to take over the management of the Company and its subsidiaries from the Ex-Directors. The process of taking over the management of the Group was completed by 31 December 2015, with the following exceptions:

(a) the Existing Directors did not gain access to the headquarters of the Group in Jinan City until 30 January 2016. From that date onwards the Existing Directors took over the management of Shandong Shanshui Cement Group Co., Ltd. ("Shandong Shanshui"), a subsidiary of the Group, and three of its subsidiaries; and

(b) as at this report date, there is still one subsidiary under the management control of the Zhangs, which is Jinan Changqing Shanshui Micro Finance Co., Ltd. ("Shanshui Micro Finance"). In addition, the Existing Directors have not yet been able to obtain Shandong Shanshui's official chop and the original reserved signature chops of certain bank accounts from the Ex-Directors.

As a result of these events, the directors' ability to access certain books and records or obtain supporting documents or information of certain transactions has been restricted.

(ii) Material uncertainties relating to the Group's ability to continue as a going concern

During the year ended 31 December 2015, the Group had incurred a loss of approximately RMB 6,694 million and had a net operating cash outflow of approximately RMB 343 million. As at the same date, the Group's current liabilities exceeded its current assets by RMB 17,845 million. Its total interest-bearing borrowings liabilities amounted to RMB 15,813 million, out of which RMB 15,601 million is due within 12 months. The cash and cash equivalents of the Group amounted to RMB 223 million as at 31 December 2015.

The Group breached the default clauses of the lending agreements of short-term bank loans totaling RMB 4,412 million, other borrowings totaling RMB 2,800 million and long-term bonds totaling RMB 7,725 million which are included in the Group's interest-bearing borrowings as at 31 December 2015. As of the date of the approval of these consolidated financial statements, through commencing legal proceedings, several banks have demanded that the Group repay the overdue principal of bank loans, other borrowings and long-term bonds of approximately RMB 3,884 million, and certain suppliers also have demanded that the Group repay the overdue payables of approximately RMB 550 million. These facts and circumstances indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

In view of such circumstances, the Existing Directors have given careful consideration to the future liquidity and performance of the Group and its available sources of financing in assessing whether the Group will be able to repay the outstanding interest-bearing borrowings and be able to finance its future working capital and financial requirements. Certain measures have been and are being taken to manage its liquidity needs and to improve its financial position which include, but are not limited to, the following:

(a) The Company has borrowed in total RMB 233 million from the largest shareholders of the Company, Tianrui Group Co., Ltd ("Tianrui Group") up to the date of issue of these financial statements as follows:

- during December 2015 the Group borrowed RMB 65 million which was mainly used to settle the interest payable on certain overdue bank loans of the Company; and
- in 2016, the Group has borrowed nearly RMB 168 million which was mainly used to settle the overdue interest of the USD senior notes issued by the Company in the Stock Exchange of Hong Kong Limited ("Stock Exchange") and to support the daily operation of the Company.

According to the loan contracts between Tianrui Group and the Company, the loans borrowed from Tianrui Group are unsecured, interest-free and repayable on demand. Tianrui Group has confirmed that it will use its best endeavours not to request the Company to repay the above loans totalling RMB 233 million for at least twelve months from the end of the reporting period without first considering the Company's ability to repay.

(b) The Group has been actively negotiating with a number of PRC banks for renewal and extension of loans and banking facilities with extended repayment terms and reduced interest rates, or securing new loans or facilities. In particular, the Group has agreed with certain PRC banks orally to successfully defer the repayment of RMB 2,893 million overdue loans until the end of 2016. However, as the Existing Directors have not obtained Shandong Shanshui's official chop, the Existing Directors cannot sign the formal extension agreement for the above-mentioned overdue loans with the PRC banks yet.

(c) The Group is also maximizing its sales effort, including speeding up sales of its existing inventories, seeking new orders and implementing comprehensive policies to improve operating cash flows. Tianrui Group has confirmed that it will continue to support the working capital of the Company for at least twelve months form the end of the reporting period.

(d) Tianrui Group has confirmed that it will provide sufficient support to the Company when the Company faces difficulties in repaying the overdue principal and interest in relation to the above-mentioned bank loans, other borrowings and long-term bonds for at least twelve months from the end of the reporting period.

The Existing Directors have reviewed the Group's cash flow projections prepared by management. The cash flow projections cover a period of not less than twelve months from the end of the reporting period. They are of the opinion that, taking into account the above-mentioned plans and measures, the Group would have sufficient working capital to finance its operations and to meet its financial obligations as and when they fall due within the next twelve months from the end of the reporting period. Accordingly, the Existing Directors are of the opinion that it is appropriate to prepare the financial statements for the year ended 31 December 2015 on a going concern basis.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the financial statements.

(iii) Measurement basis

The financial statements are presented in Renminbi ("RMB") (the "presentation currency"), rounded to the nearest thousand. The measurement basis used in the preparation of the financial statements is the historical cost basis except that the following assets and liabilities are stated at their fair value as explained in the accounting policies set out below:

- available-for-sale securities.

The preparation of financial statements in conformity with IFRSs requires management to make judgements, estimates and assumptions that affect the application of policies and reported amounts of assets, liabilities, income and expenses. The estimates and associated assumptions are based on historical experience and various other factors that are believed to be reasonable under the circumstances, the results of which form the basis of making the judgements about carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods.

2. CHANGES IN ACCOUNTING POLICIES

The International Accounting Standards Board ("IASB") has issued the following amendments to International Financial Reporting Standards ("IFRS") that are first effective for the current accounting period of the Group:

Amendments to IAS 19, Employee benefits: Defined benefit plans: Employee contributions
Annual Improvements to IFRSs 2010-2012 Cycle
Annual Improvements to IFRSs 2011-2013 Cycle

The Group has not applied any new standard or interpretation that is not yet effective for the current accounting period. Impacts of the adoption of the amended IFRSs are discussed below:

Annual improvement to IFRSs 2010-2012 Cycle and 2011-2013 Cycle

These two cycles of annual improvements contain amendments to nine standards with consequential amendments to other standards. Among them, IAS 24, *Related party disclosures*, has been amended to expand the definition of a "related party" to include a management entity that provides key management personnel services to the reporting entity, and to require the disclosure of the amounts incurred for obtaining the key management personnel services provided by the management entity. These amendments do not have an impact on the Group's related party disclosures as the Group does not obtain key management personnel services from management entities.

3. TURNOVER

The principal activities of the Group are manufacturing and sale of cement, clinker and concrete.

Turnover represents the sales value of cement, clinker and concrete supplied to customers, cement related products and the installation services.

The amount of each significant category of revenue recognised during the year is as follows:

	2015	2014
	RMB'000	RMB'000
Sales of cement	**9,110,516**	12,511,031
Sales of clinker	**1,299,026**	1,880,675
Sales of concrete	**634,294**	1,036,440
Sales of other products and rendering of services	**122,376**	168,294
	11,166,212	15,596,440

4. INCOME TAX IN THE CONSOLIDATED STATEMENT OF PROFIT OR LOSS

	2015	2014
	RMB'000	RMB'000
Current tax		
Provision for PRC income tax	**56,699**	417,134
Under / (over)-provision in respect of prior years	**1,500**	(303)
Deferred tax		
Origination and reversal of temporary differences	**139,853**	(35,286)
	198,052	381,545

5. EARNINGS PER SHARE

(i) Basic earnings per share

The calculation of basic earnings per share for the year ended 31 December 2015 is based on the loss attributable to ordinary equity shareholders of the Company of RMB6,387,259,000 (2014: RMB347,650,000) and the weighted average number of ordinary shares of 3,379,140,240 (2014: 2,906,986,398) shares in issue during the year.

(ii) Diluted earnings per share

The Company has granted two batches of share options to directors and employees, they are:

- On 25 May 2011, the Company granted 7,300,000 ordinary share options to certain directors and employees, which was vested immediately after being granted (the "2011 Options"). The exercise price of the 2011 Options are HKD7.90.

- On 27 January 2015, the Company granted 207,300,000 ordinary share options to certain directors and employees, which vested six months after being granted (the "2015 Options"). The exercise price of the 2015 Options are HKD3.68.

The average share prices of the Company for year ended 31 December 2014 and for the period from 1 January 2015 and 15 April 2015 were HKD2.93 and HKD4.49 respectively. However, the Company's shares have been suspended for trading since 16 April 2015. Also, the options granted on 27 January 2015 are currently subject to legal proceedings which seek to restrain the Company from issuing any shares pursuant to the exercise of these options. Furthermore, included within these options are 43,600,000 options granted to Ex-Directors of the Company which are considered to be legally invalid. These events have been taken into account in the calculation of diluted EPS as follows:

The 2011 Options have not been included in the calculation of diluted earnings per share because they were anti-dilutive for the year ended 31 December 2014 and are assumed to have been anti-dilutive for the year ended 31 December 2015, on the assumption that in the period from 16 April 2015 to 31 December 2015 the share price of the Company will not have risen above its last quoted price on 15 April 2015 and therefore the average market price of the Company's shares for the year ended 31 December 2015 is assumed to be less than the exercise price of the options.

The Existing Directors of the Company are also of the opinion that the 2015 Options are anti-dilutive for the year ended 31 December 2015. This assumption has been made as the Existing Directors cannot conclude that the exercise of the 2015 Options would result in the issue of ordinary shares for less than the average market price of ordinary shares during 2015, in the absence of market price information from 16 April 2015 to 31 December 2015 and taking into account the adverse nature of the events which have affected the affairs of the Company and its subsidiaries since that date.

6. DIVIDEND

The directors of the Company do not recommend the payment of a dividend for the year ended 31 December 2015 (2014: RMB Nil).

7. TRADE AND BILLS RECEIVABLE

	2015	2014
	RMB'000	RMB'000
Bills receivable	**190,846**	662,881
Trade debtors	**1,564,012**	1,488,581
Less: allowance for doubtful debts	**(213,950)**	(60,843)
	1,540,908	2,090,619

Ageing analysis

As of the end of the reporting period, the ageing analysis of trade debtors and bills receivable, based on the invoice date and net of allowance for doubtful debts, is as follows:

	2015	2014
	RMB'000	RMB'000
Within 3 months	**771,484**	1,264,347
3 to 6 months	**246,074**	304,207
6 to 12 months	**202,727**	263,333
Over 12 months	**320,623**	258,732
	1,540,908	2,090,619

8. TRADE AND BILLS PAYABLE

	2015	2014
	RMB'000	RMB'000
Trade payables	**3,523,918**	3,539,553
Bills payable	**-**	1,012
	3,523,918	3,540,565

As at 31 December 2015 and 2014, all trade and bills payable of the Group are repayable on demand except for bills payable which are repayable within 6 months. All trade and bills payable are expected to be settled within one year.

9. PURCHASE, SALE AND REDEMPTION OF LISTED SHARES

	2015		2014	
	Number of shares	**RMB equivalent** ***RMB'000***	Number of shares	RMB equivalent RMB'000
Authorised:				
Ordinary shares of the Company of USD0.01 each	**10,000,000,000**	**701,472**	10,000,000,000	701,472
Ordinary shares of the Company, issued and fully paid:				
At 1 January	**3,379,140,240**	**227,848**	2,815,950,200	193,198
Issuance of new shares	**-**	-	563,190,040	34,650
At 31 December	**3,379,140,240**	**227,848**	3,379,140,240	227,848

During the Reporting Period, neither the Company nor its subsidiaries purchased, sold or redeemed any listed shares of the Company.

DISCUSSION ON THE RESULTS AND FINANCIAL POSITION OF THE COMPANY

Revenue felt by 28% from RMB15.6 billion in 2014 to RMB11.17 billion in 2015 due to dwindling market as a result of the significant slowdown of real estate investment during the year. Gross profit ratio felt from 21% to 11% as a result of fall in selling price of cement due to severe competition.

Other expenses increased from RMB23 million to RMB3,412 million as a result of write-down of goodwill assets from RMB2,346 million to RMB14 million due to forecasted less satisfactory results of operations of group companies in the foreseeable future and over-payment in the acquisitions of certain cement plants in the past.

Administrative expenses increased by 86% from RMB1,246 million to RMB2,317 million. We are still making investigation into certain payments of unknown nature during the year.

Finance costs increased by 40% as a result of obtaining debt financing of higher interest rates and increased average borrowing level during the year.

Exchange loss on translation of financial statements of overseas subsidiaries increased by RMB224 million as a result of devaluation of renminbi against the U.S. Dollars.

Current assets fell by RMB3.1 billion through reduction of inventories and trade receivables as a result of lower sales in 2015.

Current liabilities increased by RMB11,903 million and non-current liabilities decreased by RMB11,712 million mainly as a result of acceleration of repayment of bank loans and notes due to cross defaults caused mainly by the triggering of the obligation to re-purchase the 2020 Notes of US$500 million during 2015.

MAJOR DEVELOPMENTS IN 2015

The following are background information and major events in the year which have significant impact on the creditors and shareholders of the Company and its stakeholders.

27 January 2015

The former board approved to offer 207,300,000 options to subscribe at an exercise price of HK$3.68 per share for new shares to the following persons, representing 6.13% of the issued share capital:

Zhang Caikui	23,600,000
Zhang Bin	20,000,000
Li Cheung Hung	9,000,000
Other personnel	154,700,000

After the grant, if all options are fully exercised, the percentage held by China Shanshui Investment Company Limited ("CSI") would be diluted from 25.09% to 23.64% and would have triggered the contractual obligation to repurchase two existing USD Notes totalling USD800 million. According to the Rules Governing the Listing of Securities on the Stock Exchange ("Listing Rules") and the Share Option Scheme of the Company, the options granted to Zhang Caikui and Zhang Bin need to be approved by the Extraordinary General Meeting of the Company. Till the date of this announcement, the Extraordinary General Meeting has not been held.

11 February 2015

Certain individual minority shareholders of CSI brought a derivative action in Hong Kong to restrain the Company from issuing new shares pursuant to the exercise of the share options granted on 27 January 2015 and convening an EGM to consider the options granted to Zhang Caikui and Zhang Bin.

4 March 2015

The Company issued a USD 500 million 7.5% Senior Notes due in 2020.

27 March 2015

The Company decided to redeem USD 400 million 10.5% Senior Notes due in 2017 at a price of 105.25%.

16 April 2015

The percentage of public shareholders felt to 9.18%. Trading in the shares and debt securities were halted.

On the day of suspension of trading, the shareholdings of the Company were as follows:

	Percentage of shareholdings
Tianrui Group	28.16%
CSI	25.09%
Asia Cement Corporation ("ACC")	20.90%
China National Building Material Company Limited ("CNBM")	16.67%
Public	9.18%
	100.00%

8 May 2015

The Company offered to repurchase USD 400 million 8.5% Senior Notes due in 2016.

15 May 2015

1,867 employees of the Group sued Zhang Caikui in Hong Kong regarding the ownership of certain shares in CSI.

20 May 2015

559 employees of the Group, together with the above-mentioned 1,867 employees, applied to the Hong Kong High Court for the appointment of receivers over 43.29% shareholding of CSI.

The Hong Kong High Court on the same day approved the applications and appointed three persons to act as receivers over 43.29% shareholding of CSI.

22 May 2015

At the General Meeting, the appointment of the following new directors were approved:

Chang Zhangli
Lee Kuan-chun (Champion Lee)

10 June 2015

The following appointment of new director were approved by the Board:

Zeng Xuemin
Shen Bing

21 July 2015

The former directors announced that ACC and CNBM have informed the board of directors on 20 July 2015 that they are considering to jointly make a voluntary cash general offer to acquire all the shares of the Company.

30 September 2015

An equity transfer agreement dated 30 September 2015 (the "Agreement") was entered into among Shandong Shanshui as the vendor, Shangdong Zhusheng Trading Company Limited ("Shandong Zhusheng") and Jinan Tiandi Zhenghan Trading Company Limited ("Jinan Tiandi") as the purchasers ("Purchasers"), pursuant to which Shandong Shanshui agreed to sell, and Shangdong Zhusheng and Jinan Tiandi agreed to purchase, 27% and 28% equity interest in Shandong Shanshui Zhonggong Company Limited ("Shanshui Zhonggong", a 99.99%-owned subsidiary of the Company at the time of the Agreement which was held directly by Shandong Shanshui) at the consideration of RMB 46.17 million and RMB 47.88 million respectively ("Disposal").

On the even date and 20 October 2015, the Articles of Association of Shanshui Zhonggong was amended, amongst others, to the effect that the board of directors of Shanshui Zhonggong shall comprise three directors to be elected by shareholders at general meeting ("Articles Amendment"). After completion of the Disposal and the Articles Amendment, Shanshui Zhonggong becomes a 44.99%-owned associate of the Company and the Company has lost the control of the board of Shanshui Zhonggong.

Some employees of Shandong Shanshui observed that some followers of Zhang Bin were setting up in the offices of Shanshui Zhonggong as a base.

Shortly afterwards, in January 2016, Shanshui Zhonggong took litigation against Shandong Shanshui for debts under two litigations totalling about RMB 190 million.

11 October 2015

Wu Ling-ling was appointed as an alternate director to Lee Kuan-chun.

13 October 2015

Zhang Caikui, Li Cheung Hung and Wu Xiaoyun were removed as directors of the Company at a General Meeting of the day.

14 October 2015

The following persons were appointed as directors：

Cai Guobin
Ou Chin-Der
Wu Ling-ling

10 November 2015

The board of directors filed a petition with the Grand Court of the Cayman Islands, where the Company was incorporated, to wind up the Company.

23 November 2015

The Grand Court of Cayman Islands ruled that directors of the Company do not have the authority to present a winding-up petition on behalf of the Company and rejected the petition.

1 December 2015

At an Extraordinary General Meeting:

(i) The following directors were removed:

Zhang Bin
Li Kuan-chun, Ou Chin-Der and Wu Ling-ling
Chang Zhangli, Cai Guobin, Zeng Xuemin and Shen Bing

(ii) The following directors were appointed:

Li Liufa, Li Heping, Liu Yiu Keung, Stephen, Cheung Yuk Ming, Hwa Guo Wai, Godwin, Chong Cha Hwa, Ng Qing Hai, Ho Man Kay, Angela and Law Pui Cheung.

2 December 2015

The board was unable to locate certain books, records, documents, stamps, seal and electronic data in the computers of the Hong Kong head office of the Company.

3 December 2015

The following persons were removed as directors of Shandong Shanshui:

Zhang Caikui, Zhang Bin and Chen Xueshi.

The following persons were appointed as directors of Shandong Shanshui by China Pioneer Cement (Hong Kong) Company Limited ("Pioneer"), the holding company of Shandong Shanshui,

Li Heping, Li Maohuan, Mi Jingtian, Zhao Yongkui, Yu Yuchuan, Zhao Liping, Chen Zhongsheng, Gao Yong, Yang Yongzheng.

31 December 2015

The control of 100 factories of Shandong Shanshui were taken over by the Company.

IMPORTANT EVENTS SINCE THE END OF 2015

Since taking over the management of the head office of Shandong Shanshui in Jinan on 30 January 2016, the new directors of Shandong Shanshui discovered that the former directors had not made arrangement to handle and make appropriate payments of principals and interests of the various borrowings, including the followings:

(i) the ultra short-term debentures issued on 16 April 2015 of RMB 2,000,000,000;

(ii) the mid-term notes issued on 21 January 2013 of RMB1,800,000,000;

(iii) the ultra-short-term notes issued on 18 May 2015 of RMB 800,000,000.

Because the former directors are still withholding and controlling the official chop and other documents up to the date of this announcement, the Company and Shandong Shanshui are not able to arrange finance to make the appropriate payments.

The Company has written to ACC, CNBM and Tianrui Group for providing financial assistance to the Company as they have said they would assist in the past.

ACC and CNBM have not so far provided any financial assistance to the Company to make payments of interests and principals to the various note-holders and bank lenders.

Tianrui Group has made various interest-free loans as of the date of this announcement to pay interests on various notes and bank loans as part of the debt-restructuring of the borrowings, such as:

(i) the US$ 500 million 2020 notes;

(ii) the RMB 2 billion ultra short-term debentures;

(iii) the RMB 800 million ultra-short-term notes.

7 January 2016

The Company, with legal advice sought, came to the view that the ACC-CNBM joint voluntary offer letter made on 20 July 2015 has triggered the contractual obligation to make the re-purchase of the US$500 million 2020 Notes.

8 January 2016

The Hong Kong High Court made an Order that Zhang Caikui and Zhang Bin shall execute re-amendments to the articles of Shandong Shanshui in a form approved by the Hong Kong High Court.

14 January 2016

The change of control offer was made to repurchase (i) 7.5% Senior Notes due 2020; and (ii) the outstanding 8.5% Senior Notes due 2016.

30 January 2016

The new directors took over management of the head office of Shandong Shanshui in Jinan. Chops of various subsidiary companies confiscated were un-covered, but the official chop of Shandong Shanshui itself was not found.

Certain documents, records, litigation papers, properties and cash could not be found.

Shandong Shanshui has suffered some financial damages as some litigations were lost due to unawareness of the existence of such litigations.

4 March 2016

Shandong Shanshui and Pioneer commenced legal action in the Hong Kong High Court against the Mayor and the Deputy Mayor of Jinan Government for on-going damage caused.

14 March 2016

The Company received a letter from Tianrui saying that Tianrui was still finalising funding arrangements, upon which the Company extended the settlement date of the 2020 Notes to a date to be fixed.

FUTURE DEVELOPMENTS

In view of the slowing down of the property markets in the regions where the Company operates, the cement industry is not expected to experience significant growth like in the past ten years.

Based on its market position, the Company believes there will be some consolidation in the industry in the foreseeable future and would adjust its strategy to take advantage of the new circumstances.

COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE

The Internal Audit Department of the Company has carried out an annual review of the risk management and internal control of the Company and compliance with the Corporate Governance Code of the Listing Rules.

The following paragraphs of the Corporate Governance Code were not complied with in 2015. They were rectified on 10 June 2015 and 1 December 2015 respectively.

(i) From 22 May 2015 to 9 June 2015, upon retirement of Wang Jian and Hou Huailiang as independent non-executive Directors, the Board had only one independent non-executive Director, one Audit Committee member, one Remuneration Committee member and two Nomination Committee members, the number of which have fallen below the minimum number required under Rule 3.10(1), Rule 3,10A, Rule 3.21 and Rule 3.25 of the Listing Rules and the requirement under the Appendix 14 A.5.1 of the Corporate Governance Code. Further, the Company was not in compliance with Rule 3.10(2) of the Listing Rules as the independent non-executive Director did not have appropriate accounting or related financial management qualification or expertise.

    On 10 June 2015, the Company has appointed Wu Xiaoyun as chairman of the Audit Committee, Lee Kuan-chun (also known as Champion Lee) as member of the Nomination Committee, Shen Bing and Zeng Xuemin as independent non-executive Director, Shen Bing as chairman of the Remuneration Committee and member of the Audit Committee and Nomination Committee, and Zeng Xuemin as member of the Audit Committee, Remuneration Committee and Nomination Committee. Upon such appointments, the minimum number required under Rule 3.10(1), Rule 3.10A, Rule 3.21 and Rule 3.25 of the Listing Rules, the requirement under the Appendix 14A.5.1 of the Corporate Governance Code and the requirement under Rule 3.10(2) of the Listing Rules, have been fulfilled by the Company.

(ii) From 1 January 2015 to 1 December 2015, the positions of Chairman and General Manager were jointly served by Zhang Bin. This was a deviation from Appendix 14A.2.1 of the Corporate Governance Code.

    This deviation is rectified since 16 December 2015 when Li Liufa becomes the Chairman of the board and Li Heping becomes the Chief Executive.

REVIEW OF THE PRELIMINARY ANNOUNCEMENT BY THE AUDIT COMMITTEE

This announcement has been reviewed by the Audit Committee with discussions with the existing management.

EXTRACT OF INDEPENDENT AUDITORS' REPORT

The following is an extract of the independent auditors' report on the Group's consolidated financial statements for the year ended 31 December 2015.

Basis for disclaimer of opinion

As disclosed in note 1(b), as at 30 November 2015, the Company has 8 directors ("the Ex-Directors") with Zhang Bin, the son of Zhang Caikui who is the founder of the Company (together referred as "the Zhangs"), as the chairman of the board. Pursuant to the resolution of the extraordinary general meeting of the Company held on 1 December 2015, the Company removed all of the Ex-Directors from the board of the Company and newly appointed 9 directors on the same date ("the Existing Directors" or "the New Board").

Since 1 December 2015, the New Board began to take over the management of the Company and its subsidiaries from the Ex-Directors. As at 31 December 2015, the Existing Directors had taken over most subsidiaries of the Company. The Existing Directors accessed and took over the management of Shandong Shanshui Cement Group Co., Ltd. ("Shandong Shanshui"), a subsidiary of the Group which is the headquarter of the Group in Jinan City, and three subsidiaries of Shandong Shanshui on 30 January 2016. As at this report date, there is still one subsidiary under the management of the Zhangs, which is Jinan Changqing Shanshui Micro Finance Co., Ltd. ("Shanshui Micro Finance"). Given these circumstances, the scope of our audit work was limited as follows:

(a) The Existing Directors of the Company were appointed on 1 December 2015 and the Ex-Directors did not perform the hand-over with the Existing Directors. Without the hand-over procedures and due to the limited period of time since the New Board was appointed, the Existing Directors could not ensure whether the accounting books and records have been properly maintained. Accordingly, we were unable to obtain the written representations that the accounting records were properly maintained throughout the year ended 31 December 2015.

(b) As disclosed in note 13, the Existing Directors have recognized impairment losses of RMB 2,332 million as at 31 December 2015 against the carrying value of goodwill. Due to the limited period of time since the New Board was appointed, the Existing Directors were not able to carry out a full scope annual assessment of the recoverable amount for each of the groups of cash generating units to which goodwill has been allocated. Therefore the Existing Directors' final assessment was made without the benefit of detailed supporting computations.

    In the absence of the assessments of the recoverable amounts as at 31 December 2015 for each of the groups of cash generating units to which goodwill has been allocated, we were unable to obtain sufficient audit evidence to satisfy ourselves as to the reasonableness of the impairment loss recognized for goodwill and there were no other practical alternative audit procedures that we could perform to determine whether the carrying amount of goodwill is fairly stated as at 31 December 2015.

(c) As disclosed in note 11 to the consolidated financial statements, there were indications of possible impairment in respect of the Group's fixed assets as at 31 December 2015 in view of the substantial losses incurred by the Group and the declining trend of the cement market in 2015. The impairment assessments on the fixed assets were performed by the Group, based on a value in use calculation (the "Valuation"), and provisions for impairment of RMB 674 million in total was recorded in the current year. The major assumptions used in the Valuation included discount rates of 9% and the projected sales volume for each of related cash generating units which has taken into account the Existing Directors' consideration that the future performance of these cash generating units will be consistent with the relevant cash-generating unit's past performance and management's expectation for the market development.

However, we were unable to obtain sufficient audit evidence to satisfy ourselves as to the reasonableness of the above assumptions used in the Valuation within the time limit allowed and there were no other practical alternative audit procedures that we could perform to determine whether the carrying amount of fixed assets is fairly stated as at 31 December 2015.

(d) The Group acquired an investment in an associate ("the Transaction") with consideration of RMB 147 million in 2015 and the consideration was fully paid by the Group in 2015 as disclosed in note 15 to the consolidated financial statements. The Existing Directors have represented to us that they were unable to obtain the equity transfer agreement of the Transaction or access to any books and records of the associate for the year of 2015. Based on the company registration information, the chairman and legal representative of the associate is a predecessor independent non-executive director of the Company, who has resigned on 22 May 2015. Due to the lack of available information and books and records of the associate, the Company has fully impaired the carrying amount of the investment of RMB 147 million as at 31 December 2015. In the absence of any available information and books and records of the associate being provided by the Group's management, we were unable to obtain satisfactory audit evidence as to the relationships, if any, among the associate and the Group or to satisfy ourselves as to the substance of the Transaction. We are therefore unable to satisfy ourselves as to the existence and accuracy of the investment in associates, share of profits less losses of associates and the impairment for investment in associates or that the related parties' transaction recognised or disclosed for the year ended 31 December 2015 have been accurately presented.

(e) Included in the other receivables and prepayments as of 31 December 2015 were loans to third parties of RMB 151 million which were recorded by Shanshui Micro Finance for the loans lent out to the individual borrowers. As disclosed in note 19, the Company has fully impaired these receivables as the Company's management has been unable to obtain the original loan contracts or provide other reliable information relating to the identity of the borrowers and the terms of the loans as of the date of this report. In the absence of sufficient information being provided by the management, we were unable to obtain satisfactory audit evidence as to the substance of these loans receivable. We are therefore unable to satisfy ourselves as to the existence and accuracy of the other receivables and prepayments or that their impairment has been accurately recognised and appropriately disclosed.

(f) As disclosed in note 35 to the consolidated financial statements, the Group sold 55% interest in Shandong Shanshui Heavy Industries Co., Ltd. ("Shanshui Heavy Industries") in 2015, to two suppliers of the Group ("the Two Suppliers", which just began business with the Group in 2015) with a total consideration of RMB 94.05 million (the "Disposal Transaction"), among which RMB 49.55 million has been settled and the remaining balance of RMB 44.5 million was unsettled and recorded as other receivables as at 31 December 2015. Within the settled consideration of RMB 49.55 million in 2015, management has asserted that RMB 12.74 million was offset against trade payable balances due to the Two Suppliers and RMB 30.28 million was offset against trade payables balances due to other nine suppliers of the Group (the "Nine Suppliers"), among which one supplier just began business with the Group in 2015. In addition, the Existing Directors have represented to us that they were unable to obtain the equity transfer agreement of the Disposal Transaction.

In the absence of sufficient information being provided by the management, we have been unable to obtain satisfactory audit evidence as to the Disposal Transaction or to satisfy ourselves as to the relationships, if any, among the Two Suppliers, the Nine Suppliers and the Group. We are therefore unable to satisfy ourselves as to the existence and accuracy of the Disposal Transaction and that the corresponding investment in Shanshui Heavy Industries and settlement of trade payable balances, and the related party transactions have been accurately presented / disclosed.

(g) The Existing Directors have taken over Shandong Shanshui from the Ex-Directors of the Company in January 2016. The carrying amount of cash on hand of Shandong Shanshui as at 31 December 2015 recorded in the management accounts of Shandong Shanshui was RMB 4.24 million. Based on the cash counting and roll-back procedures performed by the Existing Directors and the management after they took over Shandong Shanshui, the Existing Directors and management found that the shortfall of cash on hand of Shandong Shanshui as at 31 December 2015 was RMB 2.67 million. The directors have represented to us that they were unable to find or obtain any supporting documents of cash transactions or books and records in relation to the shortfall of cash on hand. Due to the lack of available supporting documents and books and records, the directors have fully recognised the shortfall of cash of RMB 2.67 million as other net expenses as at 31 December 2015 as disclosed in note 4 to the consolidated financial statements.

In the absence of sufficient supporting documents of cash transactions or books and records in relation to the shortfall of cash on hand, we were unable to obtain satisfactory audit evidence as to the transactions which led to the shortfall of cash. We are therefore unable to satisfy ourselves as to the completeness of cash transactions during year 2015 or the accuracy of consolidated statement of cash flows disclosed for the year ended 31 December 2015.

(h) As at the date of this report, the Ex-Directors did not give the original reserved signature chops of certain bank accounts to the Existing Directors. In the absence of the original reserved signature chops, the Existing Directors cannot obtain the bank statements at year end for these bank accounts. As disclosed in note 20, the carrying amount of these bank accounts as at 31 December 2015 is RMB 12.9 million. We sent bank confirmations to these banks with the signature of the Existing Directors but we have not received the confirmations back as at the date of this report.

In the absence of sufficient supporting documents relating to the balance of cash at bank, we were unable to obtain satisfactory audit evidence as to the existence of the balance of cash at bank as at 31 December 2015. We are therefore unable to satisfy ourselves as to the existence and accuracy of cash and cash equivalents as at 31 December 2015 or the accuracy of consolidated statement of cash flows disclosed for the year ended 31 December 2015.

(i) During the course of our audit on the consolidated financial statements for the year ended 31 December 2015, it came to our attention that the personnel expenses and other net expenses of RMB 18.7 million and RMB 14.3 million respectively, which were disclosed in note 5(b) and note 4 to the consolidated financial statements, were not substantiated with relevant supporting documentation. The Existing Directors of the Company advised that the payment of these expenses was approved by the Ex-Directors of the Company who have left the Company. We have been unable to obtain sufficient audit evidence as to support the existence of these expenses and there were no other satisfactory audit procedures that we could adopt to satisfy ourselves that these expenses as recognised were properly accounted for and disclosed. Consequently, we were unable to satisfy ourselves that all of these expenses included in the consolidated financial statements for the year ended 31 December 2015 were fairly stated.

Had we been able to satisfy ourselves in respect of the matters mentioned in the items (a) to (i) above, adjustments might have been found to be necessary which would have had a consequential impact on the net assets of the Group as at 31 December 2015 and its net loss for the year ended 31 December 2015 and may have resulted in additional information being disclosed in the financial statements as to the nature of these transactions and any material non-adjusting post balance sheet events.

Multiple uncertainties relating to going concern

As set out in Note 1(b) to the consolidated financial statements, the Group incurred a net loss of approximately RMB 6,694 million and had a net operating cash outflow of approximately RMB 343 million during the year ended 31 December 2015. As of the same date, the Group's current liabilities exceeded its current assets by RMB 17,845 million. In addition, as at the same date certain loan principal repayments and interest payments were overdue and the Group also breached the default clauses of the lending arrangements with financial institutions and, up to the date of the approval of the consolidated financial statements, the Group is facing a significant number of legal actions from creditors demanding immediate repayment. These conditions, further details of which are described in Note 1(b) to the consolidated financial statements, indicate the existence of material uncertainties which may cast significant doubt about the Group's ability to continue as a going concern.

The Existing Directors of the Company have been undertaking certain measures to improve the Group's liquidity and financial position, which are set out in Note 1(b) to the consolidated financial statements. The consolidated financial statements have been prepared on a going concern basis, the validity of which depends on the outcome of these measures, which are subject to multiple uncertainties, including (i) whether the Group is able to successfully negotiate with the lenders for the extension or renewal of all the outstanding borrowings, including those with overdue principal repayments and interest payments, and/or obtaining additional financing as and when required, and waiver from complying with certain restrictive financial covenants of certain borrowings; (ii) whether the Group is able to obtain financial support from the major shareholder, Tianrui Group Co., Ltd, as needed, the achievability of which depends on the major shareholder's ability to support; (iii) whether the Group is able to generate adequate cash flows from its operations, the achievability of which depends on the market environment which is expected to remain challenging.

These facts and circumstances indicate the existence of multiple material uncertainties that may cast significant doubt on the Group's ability to continue as a going concern.

Should the Group be unable to continue to operate as a going concern, adjustments would have to be made to write down the value of assets to their recoverable amounts, to provide for further liabilities which might arise and to reclassify non-current assets and non-current liabilities as current assets and current liabilities respectively. The effect of these adjustments has not been reflected in the consolidated financial statements.

Disclaimer of opinion

Because of the limitations in the scope of our audit and the potential interaction of the uncertainties and their possible cumulative effect on the consolidated financial statements described in the basis for disclaimer of opinion paragraphs, we do not express an opinion on the financial statements as to whether they give a true and fair view of the financial position of the Group as at 31 December 2015 and of the Group's financial performance and cash flows for the year then ended in accordance with International Financial Reporting Standards and as to whether the financial statements have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

SIGNIFICANT CHANGE IN ACCOUNTING POLICIES AND PRIOR PERIOD ADJUSTMENTS DUE TO CORRECTION OF MATERIAL ERRORS

There is no such change and adjustment for the year.

VOLUNTARY GENERAL OFFER AND FORWARD LOOKING STATEMENT

On 21 July 2015, the Company announced that on 20 July 2015, ACC and CNBM informed the board of the Company that they are considering to make a joint voluntary cash offer (the "Offer") to acquire all the shares of the Company.

As of the date of this announcement, the above two companies have not made a final decision on the Offer.

Forward-looking statements in this announcement, including those relating to the Offer are based on current expectations. These statements are not guarantees of future events or results. Future events and results involve some risks, uncertainties and assumptions that are difficult to predict. Actual events and results could vary materially from the description contained herein due to many factors including (but not limited to) changes in the market and price for the Notes, changes in the business and financial condition of the Company and its subsidiaries or changes in the debts in general.

Shareholders of the Company and potential investors are advised to exercise caution when dealing in the securities of the Company.

CHANGES IN LISTED SECURITIES DURING THE YEAR

There was no change in the listed shares of the Company during the year. The Company listed an US$500,000,000 Senior Notes due 2020 (Stock Code: 5880) on 11 March 2015.

Trading in the shares of the Company and the Senior Notes were suspended on 16 April 2015 due to the fall of the percentage of public float below 25% of the issued share capital of the Company under Rule 8.08 of the Listing Rules.

APPRECIATION

On behalf of the Directors, I would like to express my sincere gratitude to our creditors, shareholders, customers and business partners for their continued support, and all our employees for their dedication and hard work.

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

Hong Kong, 31 March 2016

As at the date of this announcement, the board of directors of the Company comprises 4 executive directors, namely, LI Liufa, LI Heping, LIU Yiu Keung Stephen (YEN Ching Wai, David as his alternate), CHEUNG Yuk Ming; and 2 non-executive director, namely, HWA Guo Wai, Godwin and CHONG Cha Hwa; and 3 independent non-executive directors, namely, HO Man Kay Angela, LAW Pui Cheung and WONG Chi Keung.