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## **CHINA SHANSHUI CEMENT GROUP LIMITED**

**中國山水水泥集團有限公司**

*(Incorporated in the Cayman Islands with limited liability)*

**(Stock code: 691)**

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

**(Stock code: 5880)**

### **PROPOSED CANCELLATION OF LISTING**

This announcement is made by China Shanshui Cement Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Listing Rules and the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance.

#### **Proposed Cancellation of Listing**

The Company has received a letter dated 23 October 2017 (“**Show Cause Letter**”) from the Stock Exchange of Hong Kong Limited (“**Stock Exchange**”) notifying the Company, among others, its intention to commence procedures to cancel the listing of the Company (the “**Proposed Action**”) under Rule 6.01(1) and/or (4) by issuing an announcement under Rule 6.10 to provide the Company further time until 30 June 2018 to restore the public float and resolve the matters rendering it unsuitable for listing, failing which the Stock Exchange will recommend the Listing Committee to proceed with the cancellation of the Company’s listing.

The Stock Exchange indicated that it arrived at its decision of the Proposed Action by having considered, among others:

- (i) Trading in the Company’s shares has been suspended for more than 2.5 years. Whilst the Company has announced two agreements with placing agents regarding placing of new shares with a view to resolving the public float issue, neither is sufficient to enhance the prospect of restoring the minimum public float:
  - (a) The first placing agreement was terminated on 13 March 2017 because the conditions precedent to the agreement, including shareholders’ approval, not being fully fulfilled before its long stop date.

- (b) The second placing agreement has been revised to extend its original long stop date of 13 September 2017 to 29 June 2018, due to the properties of Shandong Shanshui Cement Group Company Limited (“**Shandong Shanshui**”), the Company’s principal subsidiary in Jinan, being illegally occupied by five former directors (namely Mi Jingtian, Chen Zhongsheng, Zhao Liping, Li Maohuan and Yu Yuchuan, together “**Shandong Shanshui Former Directors**”) of Shandong Shanshui (the “**Illegal Occupation**”). The Illegal Occupation has happened since mid-December 2016 and arose from certain disputes between these five former directors and the Company’s board.

On 8 August 2017, the Company announced that (i) the Jinan government is assisting the Company to restructure the board of directors and senior management of Shandong Shanshui and resolve the Illegal Occupation; and (ii) the Company would work out a timetable with the placing agent to restore the minimum public float after the Illegal Occupation is resolved and issue further announcements to update shareholders.

However, the Company has not provided further details about the outstanding issues that need to be resolved pertaining to the Illegal Occupation or a concrete plan or timetable showing how and when these issues will be resolved and the Company will resume control over Shandong Shanshui so that the parties to the second placing agreement can work out the timetable for the placing.

Despite the prolonged suspension of trading in its shares, the Company has not demonstrated a reasonable prospect that it will restore the minimum public float and resume trading in its shares within a reasonable period of time.

- (ii) On the Company’s annual results/report for the two years ended 31 December 2015 and 2016, its auditors disclaimed its opinion for its inability to obtain written representations from the Company’s board that the Company’s accounting records were properly maintained throughout the two years ended 31 December 2015 and 2016.

The Illegal Occupation had prevented the Company’s board from obtaining access to the accounting books and records of Shandong Shanshui and ensuring that those accounting books and records were properly maintained for the whole financial year of 2016.

The Company reiterated that the Jinan government is assisting the Company to restructure the senior management of Shandong Shanshui and resolve the Illegal Occupation. It also asserted that the relevant audit issues will be resolved after Shandong Shanshui’s new management is formed and the Illegal Occupation is resolved.

However, the Company has not provided further details about the outstanding issues that need to be resolved pertaining to the Illegal Occupation, or a concrete plan or timetable showing how and when all the relevant issues will be resolved in order to address the audit issues.

In these circumstances, the Company has not demonstrated a reasonable prospect that the audit issues will be satisfactorily addressed within a reasonable period of time.

Pursuant to the Show Cause Letter, before the commencement of the cancellation procedures by the Stock Exchange, if the Company objects to the Proposed Action, the Company is required to submit its objection showing cause with reasons to the Stock Exchange by 6 November 2017.

The Company considers that the outstanding issues as set out in the Show Cause Letter are caused by the Illegal Occupation and certain individuals having acted in breach of the relevant orders of the High Court of Hong Kong, and the Company has taken all necessary legitimate actions, including but not limited to taking legal actions against the Shandong Shanshui Former Directors to resolve and remedy the issues (details of which are set out under the section headed “Litigation against Shandong Shanshui Former Directors” below). The Company disagrees and intends to object to the Proposed Action. Further announcement will be made by the Company when there is a material development in this regard.

The Company also sets out details of proceedings against its Former Board and in particular, Zhang Caikui and Zhang Bin (“**Zhangs**”), in which the Company has obtained various Court orders against the Zhangs to safeguard the interest and operation of the Company (as set out under the section headed “Litigation against Former Board of the Company” below).

### **Litigation against Shandong Shanshui Former Directors (HCA 762/2017)**

On 29 March 2017, the Company, China Pioneer, and Shandong Shanshui have commenced proceedings against the Shandong Shanshui Former Directors to complain against their persistent Illegal Occupation of Shandong Shanshui. Injunctive relief was sought to prohibit Shandong Shanshui Former Directors from, inter alia, holding themselves out as being director or officer of Shandong Shanshui, entering the premises of Shandong Shanshui and removing assets and records from Shandong Shanshui, soliciting or enticing officer or employee of Shandong Shanshui, and that Mi Jingtian, Zhao Liping, Li Maohuan and Yu Yuchuan are prohibited from removing from Hong Kong any of their assets, for each of them up to the value of RMB142 million.

Although an injunction order was granted by the High Court of Hong Kong on 11 April 2017 to give effect to the above terms and there is effective injunction order in place to restrain the Shandong Shanshui Former Directors from harming the interest of Shandong Shanshui and the Company, the Shandong Shanshui Former Directors, despite open representations made to the High Court of Hong Kong by their Senior Counsel that they have been in compliance with the injunction order, have in fact failed to comply with the injunction order and continue with the Illegal Occupation. The Company sees this as a blatant breach of the Hong Kong Court order on the part of Shandong Shanshui Former Directors.

The Company is trying to resolve the issue proactively by resorting to both legal actions and coordination with the Jinan government, namely by restructuring the management of Shandong Shanshui.

## **Litigation against Former Board of the Company (HCA 2880/2017 & HCMP 2219/2017)**

In addition to taking legal action against the Shandong Shanshui Former Directors, the Company continues to pursue legal action against the Former Board of the Company. In particular, on 24 December 2015, an injunction order was granted to restrain Zhangs from dealing with any property belonging to the Company and China Pioneer (“**the Company and Affiliates**”) (the “**Interlocutory Proprietary Injunction**”), destroying or tampering with the records of the Company and Affiliates (the “**Preservation Order**”), to order Zhangs forthwith to deliver over to the Company and Affiliates any of their records or copies thereof which were in Zhangs’ possession or custody or control (the “**Delivery Over Order**”), to order Zhangs to disclose in writing the property received by them from the Company and Affiliates, plus provide an affirmation confirming the disclosure provided (the “**Asset Disclosure Order**” and the “**Asset Disclosure Confirmation Order**”), and to order Zhangs within 7 days of service to disclose in writing the whereabouts of the records of the Company and Affiliates and to provide an affirmation confirming the disclosure provided (the “**Plaintiffs’ Records Disclosure Order**” and the “**Plaintiffs’ Records Confirmation Order**”). On 8 January 2016, the Hong Kong Court made another injunction order continuing all the above orders and make further orders, including but not limited to compelling Zhangs to make additional disclosure concerning the records of the Company and Affiliates and to provide confirmatory affirmations thereof, plus to order Zhangs to return those records (the “**Plaintiffs’ Records Further Order**”), to restrain Zhangs from acting upon or exercising any power or entitlement pursuant to their purported 14 October 2015 amendments to the Articles of Association of Shandong Shanshui or its subsidiaries (the “**Shandong Shanshui Injunction**”) and to compel Zhangs to execute corrective amendments to Shandong Shanshui’s Articles of Association (the “**Corrective Amendments Injunction**”).

To date, Zhangs simply defy all of these Court orders by, inter alia, unlawfully retaining the Company Seal and refusing to return assets/records of the Company and affiliates which cause serious damages to the Company. The Company has taken proactive steps and has commenced contempt proceedings against the Zhangs in response to such utter disregard of law.

In addition to the aforementioned orders, the Company on 4 November 2016 obtained a Worldwide Mareva Injunction Order against the Zhangs to, inter alia, prohibit each of them from removing from Hong Kong any of his assets up to HK\$411 million and prohibit Zhang Caikui from disposing the shares in CSI held in his name. On 7 June 2017, the Worldwide Mareva Injunction Order was discharged and a fresh domestic Mareva Injunction Order was granted against Zhangs on substantially the same terms. Very importantly, the domestic Mareva Injunction Order which is still in effect continues to prohibit Zhang Caikui from disposing his CSI shares.

The Company has good reasons to believe that Zhang Caikui intends to dispose of his CSI shares by selling them to a PRC entity. Such belief is further strengthened by an unfair prejudice petition commenced by a minority shareholder of CSI against inter alia Zhang Caikui, in which one of the allegations against the latter is Zhang Caikui has sold his shares to a PRC entity (HCMP 2219/2017).

In view of the substantial risk of Zhang Caikui committing breaches of the Mareva Injunction Order, the Company has again taken proactive step to apply for intervening in the said unfair prejudice petition. The Company is also seeking advice from its legal advisors to consider taking further legal actions against Zhang Caikui, including but not limited to commencing further contempt proceedings against him.

## **Continued Suspension of Trading in the Shares**

**At the request of the Company, trading in the shares of the Company on the Stock Exchange was suspended with effect from 9:00 a.m. on 16 April 2015 due to the insufficiency of the public float of the Shares.**

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

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

Hong Kong, 27 October 2017

*As at the date of this announcement, 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 5 independent non-executive directors, namely, HO Man Kay, Angela, LAW Pui Cheung, WONG Chi Keung, CHING Siu Ming and LO Chung Hing.*