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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)

LEGAL ACTION ISSUED IN THE UNITED STATES AGAINST THE COMPANY

This announcement is made by China Shanshui Cement Group Limited (the “**Company**”) pursuant to Rule 13.09 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and the Inside Information Provisions (as defined under the Listing Rules) under Part XIVA of the Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong).

On 1 November 2017, the Company was served with a Summons filed in the Supreme Court of the State of New York, County of New York (the “**Action**”) by CQS Directional Opportunities, Master Fund Ltd. and CQS Asian Opportunities Master Fund Ltd. (collectively the “**Plaintiffs**”), against the Company, China Shanshui Cement Group (Hong Kong) Company Limited, China Pioneer Cement (Hong Kong) Company Limited and Continental Cement Corporation (collectively the “**Defendants**”). A complaint was filed together with the Summons in which the Plaintiffs claim against the Defendants for the amounts due and payable to the Plaintiffs as the owners of approximately \$40 million of unsecured US\$500,000,000 7.5% senior notes due 2020 issued by the Company (the “**Notes**”) pursuant to an indenture dated 10 March 2015 (the “**Indenture**”). In the Summons, the Plaintiffs, allege that:

1. The Notes became due and immediately payable because the Former Board of the Company has on 10 November 2015 caused to file a winding up petition in the Grand Court of the Cayman Islands. The Company failed to pay the principal amount under the Notes that became due immediately on 10 November 2015;
2. There was allegedly a change of control event in the Company, namely (1) Asia Cement Corporation and China National Building Material Company had acquired more than 30% of the Company’s voting rights, and (2) Zhang Bin ceased to be the Chairman of the Company’s Board of Directors, which required the Company to commence an offer to purchase the Notes at 101% of their principal amount, plus any accrued and unpaid interest (the “**Offer**”). On 14 January 2016, the Company commenced the Offer and the Plaintiffs tendered a substantial portion of their Notes and which the Company was required to pay the amount due under its offer by 14 March 2016. The Company has failed to honor the Offer by 14 March 2016;

3. The Company had no basis to announce an “amendment/extension” to the Offer. Even if the Company did have the discretion to extend the payment date of the Offer, the Company still breached the implied covenant of good faith and fair dealing by announcing numerous extensions over a nearly two years period without any reasonable basis.

The Plaintiffs therefore pray for reliefs, inter alia:

1. Seek an order from the Supreme Court of the State of New York that the Company’s commencement of a winding-up proceedings in the Cayman Islands in November 2015 constituted an Event of Default under the Indenture, and thus the Notes became automatically and immediately due and payable;
2. Claim damages against the Company for breaching the Indenture, binding terms of the Offer and the implied covenant of good faith and fair dealing under the binding terms of the Offer made by the Company to purchase the Notes on 7 January 2016;
3. Claim damages against China Shanshui Cement Group (Hong Kong) Company Limited, Continental Cement Corporation and China Pioneer Cement (Hong Kong) Company Limited as subsidiary guarantors of the Notes for breaching the terms of the Indenture; and
4. Claim costs and interest.

The Board of the Company is currently seeking legal advice on the Action.

The Company will keep its shareholders and potential investors informed of any further significant development when appropriate.

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

Hong Kong, 7 November 2017

As at the date hereof, the board of directors of the Company comprises 4 executive directors, namely LIU Yiu Keung, Stephen (YEN Ching Wai, David as his alternate), LI Zhiqiang, 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.