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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)

## SHARE TRADING RESUMPTION PLAN

### INTRODUCTION

The Board would like to announce the proposed resumption plan comprising:

- (a) the proposed adoption of the audited accounts and reports of the Group for the year ended 31 December 2017 (the “**2017 Audited Accounts and Reports**”) at the Adjourned AGM with a view to addressing the audit issues concerning the 2015 and 2016 annual results of the Company (the “**Accounts Issues**”); and
- (b) the proposed grant of a specific mandate (the “**Specific Mandate**”) at the EGM to:
  - (i) issue new shares with a view to addressing the Company’s continuing failure, since 2015, to meet the minimum public float requirement of 25% as required under the Listing Rules (the “**Public Float Issue**”); and
  - (ii) issue new shares upon conversion of the Convertible Bonds not converted pursuant to the Conversion Agreements.

By way of background, trading in the Company’s listed securities has been suspended since 16 April 2015. On 27 October 2017, the Listing Department of the Stock Exchange indicated its intention to commence procedures to cancel the listing of the Company, notably as a result of the Accounts Issues and the Public Float Issue.

On 17 May 2018, the Listing Committee of the Stock Exchange upheld the Listing Department’s decision, but extended the deadline for the Company to address its concerns to 31 October 2018.

On 19 September 2018, the Company received a response from the Listing Department to the Company's submission to the Listing (Review) Committee dated 8 August 2018, in which the Listing Department recommended the Listing (Review) Committee to uphold the Listing Committee's decision to commence procedures to cancel the Company's listing and require the Company to take remedial actions by 31 October 2018.

Since its election on 23 May 2018, the Board has taken a number of steps to address the Accounts Issues and Public Float Issue with a view to resuming the trading in the Company's listed securities before the 31 October 2018 deadline. This announcement contains the Board's share trading resumption plan.

## **RESUMPTION OF CONTROL OVER SHANDONG SHANSHUI**

The new Board has proactively undertaken steps since its election to normalise the business activities of the Group. The new Board has engaged in constructive discussions with the previous management of Shandong Shanshui, the major onshore subsidiary of the Company, with regards to the future management and operation of the Group. As a result of such discussions, the new Board ended the illegal occupation at the headquarters of Shandong Shanshui and took control of all the operations of Shandong Shanshui and its subsidiaries in July 2018. Mr Chang Zhangli and Ms Wu Ling-ling, both of whom are executive directors of the Company, were elected as directors of Shandong Shanshui, alongside Mr Wang Mingbo, with effect from 26 July 2018.

Enhanced internal controls and authorisation and management procedures have also been put in place and the articles of association of Shandong Shanshui have been amended and filed with the Jinan Administration for Industry and Commerce. In addition, the old company seal of Shandong Shanshui was decommissioned on 6 August 2018, and the new company seal was activated on the same day; these steps were filed with the Public Security Bureau of Jinan province. Notice of change in legal representative and notice of change in members of the board of directors of Shandong Shanshui were also registered with the Jinan Administration for Industry and Commerce on 30 August 2018, and Shandong Shanshui obtained a renewed business licence on the same day. These matters were announced by the Company on 27 July 2018 and 7 September 2018 and further details are set out in those announcements. The AGM on 31 August 2018 was also successfully held at the premises of Shandong Shanshui.

## **2017 AUDITED ACCOUNTS AND REPORTS**

The new Board published the Company's unaudited management accounts for year 2017 (as announced by the Company on 26 June 2018) and for the first half of 2018 (as announced by the Company on 2 August 2018).

On 10 August 2018 the Company appointed Moore Stephens CPA Limited as the Company's new auditors following the resignation of KPMG. The Company has worked closely with Moore Stephens CPA Limited to address the Accounts Issues and finalise the 2017 Audited Accounts and Reports.

Moore Stephens CPA Limited has completed its audit of the Company's financial statements for year 2017 and fully addressed the matters in the disclaimed audit opinion of the Company's external auditors in relation to the 2015 and 2016 annual reports of the Company. A copy of the 2017 Audited Accounts and Reports has been published on 7 October 2018 and may be viewed and downloaded from the Company's website ([www.sdsunnsygroup.com](http://www.sdsunnsygroup.com)) and the Stock Exchange's website ([www.hkexnews.hk](http://www.hkexnews.hk)).

## **PROPOSED SPECIFIC MANDATE**

Given the 31 October 2018 deadline imposed by the Stock Exchange to address the Public Float Issue, the Company proposes to obtain from the Shareholders the Specific Mandate to allot and issue 974,825,988 new Shares in relation to the New Issue (the "**New Shares**") and 93,004,771 new Shares in relation to the Remaining CB Conversion.

The New Shares represent: (a) approximately 28.85% of the total existing issued Shares at the Latest Practicable Date; and (b) approximately 22.39% of the enlarged issued Shares upon completion of the proposed allotment and issuance of the New Shares, assuming there is no other change in the issued share capital of the Company from the date of this announcement and up to completion of the New Issue.

The price for the New Shares was arrived at after arm's length negotiations between the Company and the Subscribers with reference to, among others, the fair market price of the Shares. The Independent Financial Adviser has confirmed that given the current status of the Company: (a) in relation to the New Issue, the terms (including, but not limited to, the price of HK\$4.20 per New Share) are fair and reasonable and on normal commercial terms, and are in the interests of the Company and its Shareholders as a whole; and (b) in relation to the conversion price of HK\$6.29 per new Share for the Remaining CB Conversion, the price is fair and reasonable and on normal commercial terms, and it is in the interests of the Company and its Shareholders as a whole.

Shares in relation to the New Issue and the Remaining CB Conversion will be allotted and issued under the Specific Mandate to be approved by Shareholders at the EGM. The general mandate of the Company will not be used for the allotment and issue of such Shares.

The Company proposes to convene the Adjourned AGM to allow Shareholders to approve the 2017 Audited Accounts and Reports and the EGM to allow the Shareholders to approve the Specific Mandate.

A circular containing, amongst other things, (a) further details of the Specific Mandate, (b) a letter of advice from the Independent Financial Adviser and (c) a notice convening the Adjourned AGM and the EGM will be dispatched to the Shareholders as soon as possible.

**The Company understands that the Stock Exchange will not grant any listing approval sought by the Company unless and until the Company has demonstrated its fulfilment of all the resumption conditions, namely approval of the 2017 Audited Accounts and Reports and restoration of public float, and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules) to the Stock Exchange’s satisfaction.**

**Completion of the New Issue is subject to the satisfaction of the conditions set out below under the heading “Completion and conditions precedent” in paragraph A of section 2 of this announcement.**

**If the Specific Mandate is not approved by the Shareholders at the EGM, the Company will not be able to restore its public float by 31 October 2018. If the Company fails to restore its public float and meet all the resumption of trading conditions to the Stock Exchange’s satisfaction by 31 October 2018, the Stock Exchange may cancel the listing of the Company.**

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

The Company undertakes that as soon as possible after it has demonstrated to the Stock Exchange’s satisfaction its fulfillment of the resumption conditions and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules), it will make an application to the Listing Committee of the Stock Exchange for approval to the listing of, and permission to deal in, the New Shares on the Stock Exchange.

Based on the Company’s discussions with the Stock Exchange, the Company expects to receive such listing approval upon completion of the New Issue. Completion of the New Issue would address the Public Float Issue.

## **1. ADDRESSING THE ACCOUNTS ISSUES**

### **A. Audit qualifications in the 2017 Audited Accounts and Reports**

The Company considers that it has fully addressed all the audit issues to the best of its ability, because continuity of information has been maintained, audit procedures have been followed through and full disclosures have been made to Moore Stephens CPA Limited. Critically, continuity is maintained as the key operating management team members have remained largely the same, notwithstanding changes at the Board level. Specifically, Shandong Shanshui’s Head of Finance has held that role since the

beginning of 2017, and has been in the Group's finance team for over three decades. The table below lists the qualifications in the 2017 Audited Accounts and Reports, the Company's position in relation to each of these qualifications, and the impact on financial statements for the financial year 2018.

Audit qualifications	Company's position in addressing the audit qualifications in the 2017 Audited Accounts and Reports	Impact on the financial statements for the financial year 2018
(a) Opening balance impact due to 31 December 2016 closing balance	The issues relate to brought-forward effects in the consolidated financial statements.	There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.
(b) Scope limitation on the impairment assessment of the Group's fixed assets	The issue arose due to insufficient audit evidence to verify the reasonableness of the assumptions leading to the impairment loss recognised for the fixed assets made in the financial year 2016.	There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.
	The Company has endeavored to provide fulsome information (where available) with regards to the financial statements for the financial year 2017, to Moore Stephens CPA Limited.	
	Furthermore, the audit procedures with regards to the financial year 2017 have been completed with regards to the impairment assessment of the Group's fixed assets.	
(c) Unauthorised expenses for Shandong Shanshui	The 'Accrued Bonus' has been recognised as an expense for year 2016 and recorded as settled during the year ended 31 December 2017. The issue arose due to insufficient audit evidence to verify the bonus accrued made in the financial year 2016 and subsequently paid out in 2017. The issues relate to brought-forward effects in the consolidated financial statements.	The 'Accrued Bonus' relates to the disputes between former directors of the Company and the former management of Shandong Shanshui. Such Accrued Bonus has been paid in 2017 and ratified by the Board. It was an one-off event and is not related to the Group's internal control.

Audit qualifications	Company's position in addressing the audit qualifications in the 2017 Audited Accounts and Reports	Impact on the financial statements for the financial year 2018
(d) Certain expenses	The issue occurred in financial year 2015 and relates to the disputes between the former directors of the Company before December 2015 and the subsequent board of the Company (who is no longer serving the Company). As such, there will be no impact to the financial statements for the financial year 2017. However, it will be qualified as 2016 financials would be used for comparative purposes.	There will be no impact to the financial statements for the financial year 2018. However, it will be qualified as 2017 financials would be used for comparative purposes.
(e) Scope limitation on the impairment assessment of the Group's interests in associates	In the preparations of the financial statements for the financial year 2017, the Company had not obtained the financial information on certain of its associates. Hence, its position of fully impairing the value of its interests in these associates in the financial year 2016 was upheld in the financial year 2017.	The Company is in the process of resolving this issue and will provide financial information to Moore Stephens CPA Limited. It is the Company's view that the potential impact to the financial statements for the financial year 2018, if any, will be limited.
(f) Scope limitation on the impairment assessment of the investments in Shanshui Micro Finance, Xinghao Cement and Rushan Shanshui	In the preparations of the financial statements for the financial year 2017, the Company had not obtained the financial information on certain of its associates. Hence, its position of fully impairing the value of these investments in the financial year 2016 was upheld in the financial year 2017.	The Company is in the process of resolving this issue and will provide financial information to Moore Stephens CPA Limited. It is the Company's view that the potential impact to the financial statements for the financial year 2018, if any, will be limited.



## **B. Access to the accounting books and records of Shandong Shanshui**

In the case of the Company's annual results/report for the two years ended 31 December 2015 and 2016, the Company's auditors disclaimed their opinion because of their inability to obtain written representations from the Company's former Board that the Company's accounting records had been properly maintained throughout the two years ended 31 December 2015 and 2016. The explanation given by the previous Board was that the Board was unable to obtain access to the accounting books and records of Shandong Shanshui due to an illegal occupation of the company by the former board of Shandong Shanshui. As a result, the previous Board was unable to confirm if the accounting books and records had been properly maintained for the financial year 2016.

Whilst the current Board members were only appointed on 23 May 2018, as disclosed in the Company's announcements dated 27 July 2018 and 7 September 2018 and within the circular, the Company has regained control of Shandong Shanshui through the establishment of a new board of Shandong Shanshui, and therefore, among others, has access to the accounting books and records of Shandong Shanshui. The current Board has identified relevant key personnel in the management team of Shandong Shanshui who were responsible for the financial books and records of the company in previous years. Based on discussions with these key personnel, the Board believes that the accounting books and records of the Group, including those of Shandong Shanshui and its subsidiaries, have been properly maintained for the year ended 31 December 2017.

Based on the Board's assessment, except for the limitations stated in paragraphs (e) and (f) of the "Basis for Qualified Opinion on the consolidated Statement of Financial Position" section of the 2017 Audited Accounts and Reports, the Board believes that there is now sufficient information for the Company to prepare the consolidated financial statements.

## **2. PROPOSED SPECIFIC MANDATE**

### **A. The New Issue**

With a view to addressing the Public Float Issue, the Company proposes to allot and issue new Shares in relation to the New Issue on the terms below under the Specific Mandate to be approved by Shareholders at the EGM. The general mandate of the Company will not be used for the allotment and issue of such Shares.

#### **Date**

7 October 2018

#### **Issuer**

The Company

### ***Size of issuance***

The Company proposes to allot and issue 974,825,988 new Shares, representing:

- (a) approximately 28.85% of the total existing issued Shares at the Latest Practicable Date; and
- (b) approximately 22.39% of the enlarged issued Shares upon completion of the proposed allotment and issuance of the New Shares.

### ***Price***

The price for the New Shares will be HK\$4.20 per New Share, which represents a discount of approximately 33.23% to the closing price of HK\$6.29 per Share as quoted on the Stock Exchange on the Last Trading Day.

The price for the New Shares was arrived at after arm's length negotiations between the Company and the Subscribers with reference to, among others, the fair market price of the Shares.

The Company arrived at a price range for the initial negotiations with CB Holders wishing to convert their Convertible Bonds to New Shares based on a trading analysis of comparative companies using the selection criteria of EV/EBITDA and P/E multiples. In subsequent discussions with the Subscribers, the Company referred to the implied share price upon exercising earlier the conversion right under the Convertible Bonds earlier versus at HK\$6.29 per New Share from 19th month following the issue date of the Convertible Bonds, and thereafter agreed to a further small adjustment in favor of the Subscribers to persuade the CB Holders to accept an early conversion. The value dilutive effect of the proposed New Share issuance is 7.4%.

### ***Consideration***

Cash consideration for Subscribers other than CB Holders that participate in the New Issue. Non-cash consideration for CB Holders that participate in the New Issue – such Subscribers are to cancel all or a proportion of their Convertible Bonds in return for being allotted and issued New Shares.

### ***Subscribers***

Not less than six Subscribers comprising CB Holders and other new investors (all of whom are and, to the extent applicable, whose ultimate beneficial owners are independent investors not connected with the connected persons (as defined under the Listing Rules) of the Company or any of its subsidiaries).

CB Holders who are Subscribers have entered into Conversion Agreements with the Company and have agreed, at the option of the Company, to convert their Convertible Bonds early at the conversion price of HK\$4.20 per New Share. The Conversion Agreements have been negotiated on arm's length basis between the parties.



The New Shares are being allotted and issued to not less than six Subscribers. It is expected that none of the Subscribers will become a substantial shareholder of the Company as a result of the New Issue.

### ***Ranking***

The New Shares, when fully paid, will rank *pari passu* in all respects with the existing issued Shares, including the right to receive all future dividends and distributions which are declared, made or paid on or after the date of allotment and issue of the New Shares.

The Subscribers will not have any put option or similar arrangement against the Company or any of the Substantial Shareholders in relation to the New Shares.

### ***Completion and conditions precedent***

Completion of the New Issue is to take place on a date notified by the Company to the Subscribers within 14 days after the date on which the last conditions precedent is satisfied and no later than 31 March 2019.

The New Issue is subject to the fulfillment of the conditions precedent set out below:

- (a) the approval of the Specific Mandate by ordinary resolution at the EGM; and
- (b) the Stock Exchange granting approval of the New Issue and the listing of, and permission to deal in, the New Shares issued on the Stock Exchange.

**The Company understands that condition (b) will not occur unless and until the Company has demonstrated its fulfilment of all the resumption conditions, namely approval of the 2017 Audited Accounts and Reports and restoration of public float, and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules) to the Stock Exchange's satisfaction.**

## **B. Accrued interest and early conversion compensation**

Pursuant to the Conversion Agreements, the Company and CB Holders have agreed to the early conversion of US\$456,600,000 in principal amount out of the total US\$531,600,000 of the total outstanding principal amount of their Convertible Bonds into New Shares at the option of the Company at the price of HK\$4.20 per New Share.

In connection with such conversion, and in addition to an implied discount to the conversion price, the Company agrees to pay the CB Holders who convert their Convertible Bonds a compensation equal to the aggregate of:

- (a) an amount equal to any unpaid interest, accrued, or that would have accrued in respect of the Convertible Bonds subject to Early Conversion; and

- (b) an amount equal to 1 per cent. of the principal amount outstanding of the Convertible Bonds subject to Early Conversion.

Pursuant to the terms of the Conversion Agreements, the Company has the right to, at its own discretion, pay such compensation either (a) wholly in cash or (b) in lieu of cash by issuing New Shares to such CB Holders. The Company intends to pay such compensation by issuing New Shares to the relevant CB Holders.

### **C. Reasons for the New Issue**

Since 16 April 2015, trading in the Company's listed securities has been suspended. On 27 October 2017, the Listing Department of the Stock Exchange indicated its intention to commence procedures to cancel the listing of the Company, notably as a result of the Accounts Issues and the Public Float Issue.

On 17 May 2018, the Listing Committee of the Stock Exchange upheld the Listing Department's decision, but extended the deadline for the Company to address its concerns to 31 October 2018.

On 19 September 2018, the Company received a response from the Listing Department to the Company's submission to the Listing (Review) Committee dated 8 August 2018, in which the Listing Department recommended the Listing (Review) Committee to uphold the Listing Committee's decision to commence procedures to cancel the Company's listing and require the Company to take remedial actions by 31 October 2018.

Completion of the New Issue would address the Public Float Issue. Please refer to the shareholding structure of the Company immediately after the issue of all the New Shares as set out below in section 5 of this announcement.

### **D. Remaining CB Conversion**

The Company proposes to obtain from the Shareholders the Specific Mandate in relation to the Remaining CB Conversion, which is to be on the existing CB Terms and Conditions (including, but not limited to, the conversion price of HK\$6.29 per Share), except that the new Shares are to be allotted and issued under the Specific Mandate rather than the general mandate granted to the Directors at the last annual general meeting of the Company held on 2 June 2017.

Under the CB Terms and Conditions, each of the CB Holders agrees not to convert their Convertible Bonds if such conversion will result in the Company being in breach of the minimum public float requirement under the Listing Rules. The Company also will not convert any of the Convertible Bonds if such conversion will result in the Company being in breach of the minimum public float requirement under the Listing Rules.

## E. Share issuance period

The Company has the right to complete the New Issue under the Conversion Agreements and the Subscription Agreements until 23:59 p.m. on 31 March 2019. For the Remaining CB Conversion, the conversion period will expire immediately after 23:59 p.m. on 8 August 2021.

## F. Total number of Shares to be issued under the Specific Mandate

Set out below is a table which illustrates the total number of Shares to be issued under the Specific Mandate:

	<b>Number of Shares to be issued</b>
Conversion Agreements	888,980,352
Subscription Agreements	85,845,636
Remaining CB Conversion ( <i>Note</i> )	<u>93,004,771</u>
<b>Total Shares</b>	<b><u><u>1,067,830,759</u></u></b>

*Note:* The number has been rounded up after summation of shares to be issued to each CB Holder in the Conversion Agreements and Remaining CB Conversion.

## 3. OPINION OF THE INDEPENDENT FINANCIAL ADVISER

Based on the principal factors and reasons set out in the IFA Letter, the IFA is of the view that:

- (a) in relation to the New Issue: (i) the terms (including, but not limited to, the price of HK\$4.20 per New Share) are fair and reasonable and on normal commercial terms; and (ii) are in the interests of the Company and its Shareholders as a whole; and
- (b) in relation to the conversion price of HK\$6.29 per new Share for the Remaining CB Conversion: (i) the price is fair and reasonable and on normal commercial terms; and (ii) it is in the interests of the Company and its Shareholders as a whole.

Accordingly, the IFA recommends in the IFA Letter that the Shareholders approve the Specific Mandate at the EGM.

#### 4. USE OF PROCEEDS

The gross cash proceeds from the New Issue are expected to be HK\$360.6 million and the net cash proceeds from the New Issue are expected to be approximately HK\$360.4 million (after deduction of commission and other expenses of the New Issue). Approximately 95% of such net cash proceeds will be used primarily to redeem the 2020 Notes (which, as at the Last Practicable Date, represented an outstanding amount of US\$435.8 million, which includes accrued and unpaid interest up to the date of this announcement less the amount already repurchased under the tender offer relating to the 2020 Notes and overpaid interest of US\$9.0 million), and any balance will be used (a) to repay debt owed by the Group and/or (b) as working capital. **None of the net cash proceeds from the New Issue will be used to repay debt owed by the Company to its connected persons or their associates.**

The Company has already received the proceeds from the Convertible Bonds and does not intend to change the use of such proceeds as set out below in section 8 of this announcement.

#### 5. PROPOSED RESOLUTION OF THE PUBLIC FLOAT ISSUE

Completion of the New Issue would address the Public Float Issue. After completion of the New Issue, the New Shares will represent approximately 22.39% of the enlarged issued Shares and together with the Shares held by the existing public shareholders of the Company will represent no less than 25% of the enlarged issued Shares.

Set out below is a table which illustrates: (a) the existing shareholding structure of the Company; and (b) the shareholding structure of the Company immediately after the issue of all the New Shares and after the Remaining CB Conversion:

	As at the Latest Practicable Date		Immediately upon completion of the issuance of the New Shares		Immediately after the issue of the New Shares and after the Remaining CB Conversion	
	<i>Approximately</i>		<i>Approximately</i>		<i>Approximately</i>	
	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>	<i>Number of Shares held</i>	<i>% of Shares in issue</i>
Tianrui Group Company Limited	951,462,000	28.16	951,462,000	21.85	951,462,000	21.40
China Shanshui Investment Company Limited	847,908,316	25.09	847,908,316	19.47	847,908,316	19.07
Asia Cement Corporation ( <i>Note</i> )	902,914,315	26.72	902,914,315	20.74	902,914,315	20.30
China National Building Material Company Limited	563,190,040	16.67	563,190,040	12.94	563,190,040	12.66
Subscribers	–	–	974,825,988	22.39	1,067,830,759	24.01
Other public Shareholders	113,665,569	3.36	113,665,569	2.61	113,665,569	2.56
<b>Total</b>	<b>3,379,140,240</b>	<b>100.00</b>	<b>4,353,966,228</b>	<b>100.00</b>	<b>4,446,970,999</b>	<b>100.00</b>

*Note:* 4.22% of the interests as at the Latest Practicable Date (3.28% upon completion of the issuance of the New Shares and 3.21% upon completion of the issuance of the New Shares and after the Remaining CB Conversion) are held through agreement to acquire interests in the Company required to be disclosed under s.317(1)(a) and s.318 of the SFO.

*Pursuant to the Conversion Agreements and the CB Terms and Conditions, Convertible Bonds will be converted into the New Shares at the Conversion Price at an exchange rate of US\$1.00 = HK\$7.80.*

## 6. UPDATE ON OTHER EFFORTS TO RESTORE THE PUBLIC FLOAT

The Board has written to all the Substantial Shareholders asking for their agreement to a pro-rata sell down of their Shares in order to restore the public float of the Company. As at the date of this announcement, the Company has not reached a definitive agreement with the Substantial Shareholders to sell down their Shares.

## 7. WINDING-UP PETITIONS

We refer to the Company's announcements of 4 September 2018 and 20 September 2018. As noted in those announcements, on 30 August 2018, a petition seeking to wind-up the Company (the "**Cayman Petition**") was presented by Tianrui (International) Holding Company Limited ("**Tianrui**") before the Grand Court of the Cayman Islands (the "**Cayman Proceedings**"). On 31 August 2018, the Company received a petition (the "**Hong Kong Petition**", together with an unsealed copy of the Cayman Petition, the "**Petitions**") dated 31 August 2018 filed by Tianrui against the Company in the Court of First Instance of the High Court of the Hong Kong Special Administrative Region (the "**Hong Kong Proceedings**"). The Hong Kong Petition was presented to commence an ancillary liquidation in Hong Kong.

Tianrui filed a further application on 6 September 2018, in the Cayman Proceedings, for the appointment of joint provisional liquidators ("**JPLs**") over the Company. The grounds for the application for appointment of JPLs appear to be substantially the same as those in the Cayman Petition, save that Tianrui also joins issue with the issue of the September Convertible Bonds.

Having consulted with its legal advisers, the Company believes that there is no reasonable legal basis for: (a) the Petitions; and (b) the application for the appointment of JPLs. The Company believes the Petitions are an abuse of process and, accordingly, has made applications for these to be struck out. Similarly, having consulted with its legal advisers, the Company believes that the application for the appointment of JPLs is without merit and the Company will vigorously resist this application.

The Company has also applied for validation orders in both the Cayman Proceedings and Hong Kong Proceedings to allow the Company to make payments in the ordinary course of business.

Tianrui's application for the appointment of JPLs and the Company's application to strike out the petition in the Cayman Proceedings, as well as for a validation order, will be heard substantively in the Grand Court of the Cayman Islands on 10 and 11 October 2018. The Company's application to strike out the petition in the Hong Kong Proceedings, as well as for an ancillary validation order, will be the subject of a hearing on 11 October 2018.

Having consulted with its legal advisers, the Company believes that even if the Petitions are not dismissed at the hearings on 10 and 11 October 2018, under both Hong Kong law and the laws of Cayman Islands, the Petitions do not prevent or invalidate the issuance of New Shares or the Remaining CB Conversion.

The Company will make further announcement(s) to keep the Shareholders and potential investors informed of any significant development in relation to the Petitions as and when appropriate.

## 8. EQUITY FUND RAISING ACTIVITIES IN THE PAST 12 MONTHS

The Company has carried out the following fund raising activities in the past 12 months immediately preceding the Latest Practicable Date:

<b>Date of announcement</b>	<b>Event</b>	<b>Approximate net proceeds</b>	<b>Intended use of proceeds</b>	<b>Actual use of proceeds as at the Latest Practicable Date</b>
8 August 2018	Issue of the August Convertible Bonds under general mandate	Approximately US\$210.7 million	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the August Convertible Bonds, (ii) partial redemption of the 2020 Notes and (iii) general corporate use	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the August Convertible Bonds, (ii) partial redemption of the 2020 Notes and (iii) general corporate use
3 September 2018	Issue of the September Convertible Bonds under general mandate	Approximately US\$320.5 million	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the September Convertible Bonds, (ii) repayment of debt, and (iii) general corporate use	(i) paying the costs and expenses (including legal fees) incurred by the Company in the preparation, negotiation and execution of the transaction documents in relation to the September Convertible Bonds, (ii) repayment of debt, and (iii) general corporate use

Save as disclosed above, the Company has not carried out any equity fund raising activities during the 12 months immediately preceding the Latest Practicable Date.



## **9. APPLICATION FOR LISTING**

**The Company understands that the Stock Exchange will not grant any listing approval sought by the Company unless and until the Company has demonstrated its fulfilment of all the resumption conditions, namely approval of the 2017 Audited Accounts and Reports and restoration of public float, and compliance with the Listing Rules (including publication of all of its outstanding results as required by the Listing Rules) to the Stock Exchange’s satisfaction.**

**Completion of the New Issue is subject to the satisfaction of the conditions precedent set out above under the heading “Completion and Conditions of the New Issue” of this announcement.**

**If the Specific Mandate is not approved by the Shareholders at the EGM, the Company will not be able to restore its public float by 31 October 2018. If the Company fails to restore its public float and meet all the resumption of trading conditions to the Stock Exchange’s satisfaction by 31 October 2018, the Stock Exchange may cancel the listing of the Company.**

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

The Company undertakes that as soon as possible after it has demonstrated to the Stock Exchange’s satisfaction its fulfillment of the resumption conditions and compliance with the Listing Rules, it will make an application to the Listing Committee of the Stock Exchange for approval to the listing of, and permission to deal in, the New Shares on the Stock Exchange.

Based on the Company’s discussions with the Stock Exchange, the Company expects to receive such listing approval upon completion of the New Issue. Completion of the New Issue would address the Public Float Issue.

## **10. DEFINITIONS**

The following terms have the following meanings in this announcement unless the context otherwise requires:

“2017 Audited Accounts”	the audited accounts of the Group for the year ended 31 December 2017 (published on 7 October 2018), which have been reviewed by the audit committee of the Company
“2017 Audited Accounts and Reports”	the 2017 Audited Accounts and the Directors’ and auditors’ reports in relation to the 2017 Audited Accounts (published on 7 October 2018) to be considered and, if thought fit, approved at the Adjourned AGM

“2020 Notes”	the US\$500,000,000 7.5% senior notes due 2020 issued by the Company and listed on the Stock Exchange (Stock Code: 5880)
“Accounts Issues”	the audit issues concerning the 2015 and 2016 annual results of the Company
“Adjourned Annual General Meeting” or “Adjourned AGM”	the adjourned annual general meeting of the Company to be reconvened and held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC on Tuesday, 30 October 2018 to consider and, if though fit, to, among others, approve the 2017 Audited Accounts and Reports
“August Convertible Bonds”	the convertible bonds issued by the Company on 8 August 2018 in the aggregate principal amount of US\$210,900,000, the principal terms and conditions of which are set out in the announcements of the Company dated 6 August 2018 and 8 August 2018
“Board”	the board of Directors
“Business Day”	a day, other than Saturdays, Sundays or public holidays or a day on which a tropical cyclone warning signal No. 8 or above or a black rainstorm warning signal is hoisted in Hong Kong at any time between 9:00 a.m. and 4:00 p.m. on which banks generally are open for business in Hong Kong
“CB Holders”	holders of the Convertible Bonds
“CB Terms and Conditions”	the principal terms and conditions of each of the Convertible Bonds (other than the general mandate provision), which are set out in the announcements of the Company dated 6 and 8 August 2018 relating to the August Convertible Bonds and the announcements of the Company dated 30 August 2018 and 3 September 2018 in relation to the September Convertible Bonds
“Company”	China Shanshui Cement Group Limited (中國山水水泥集團有限公司), an exempted company incorporated in Cayman Islands with limited liability, the Shares of which are listed on the main board of the Stock Exchange

“Conversion Agreements”	deeds of amendment entered into between the Company and CB Holders dated 6 October 2018 regarding the early conversion of certain Convertible Bonds into New Shares, as announced by the Company on 7 October 2018
“Convertible Bonds”	the August Convertible Bonds and the September Convertible Bonds
“Director(s)”	the director(s) of the Company
“Early Conversion”	the early conversion of Convertible Bonds under the Conversion Agreements
“EGM”	the extraordinary general meeting of the Company to be convened and held at Meeting Room, 3/F, Shandong Shanshui Cement Group Company Limited, Shanshui Industrial Park, Gushan Town, Changqing District, Jinan City, Shandong Province, PRC after the Adjourned AGM on 30 October 2018 to consider and, if though fit, to approve the Specific Mandate
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Board Committee”	the committee consisting of independent non-executive Directors
“IFA Letter”	the letter from the IFA included in the circular of the Company dated 7 October 2018
“Independent Financial Adviser” or “IFA”	Anglo Chinese Corporate Finance, Limited, a licensed corporation to carry out Type 1 (dealing in securities), Type 4 (advising on securities), Type 6 (advising on corporate finance) and Type 9 (asset management) regulated activities under the SFO, engaged to act as the independent financial adviser to the Independent Board Committee and the Shareholders
“Last Trading Day”	15 April 2015 being the day immediately prior to the trading suspension of the Shares at 9:00 a.m. on 16 April 2015

“Latest Practicable Date”	5 October 2018, being the latest practicable date prior to the printing of this announcement for the purpose of ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange, as amended from time to time
“New Issue”	subject to fulfilment of certain conditions stated in this announcement, the proposed allotment and issue of the New Shares pursuant to the terms of the Conversion Agreements and the Subscription Agreements
“New Shares”	974,825,988 new Shares proposed to be allotted and issued upon the exercise of the Specific Mandate in relation to the New Issue (including the Convertible Bonds to be converted into New Shares under the Conversion Agreements)
“PRC”	the People’s Republic of China
“Public Float Issue”	the Company’s continuing failure, since 2015, to meet the minimum public float requirement of 25% as required under the Listing Rules
“Remaining CB Conversion”	subject to (a) the CB Terms and Conditions and (b) the approval of the Specific Mandate, the allotment and issue of 93,004,771 new Shares at a price of HK\$6.29 per Share upon conversion of the Convertible Bonds not converted pursuant to the Conversion Agreements
“September Convertible Bonds”	the convertible bonds issued by the Company on 3 September 2018 in the aggregate principal amount of US\$320,700,000, the principal terms and conditions of which are set out in the announcements of the Company dated 30 August 2018 and 3 September 2018
“SFO”	the Securities and Futures Ordinance, Chapter 571 of the Laws of Hong Kong, as amended from time to time
“Shandong Shanshui”	Shanshui Cement Group Company Limited
“Share(s)”	ordinary share(s) with a nominal value of US\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)

“Specific Mandate”	the proposed specific mandate to be granted at the EGM to the Board to complete (a) the proposed New Issue and (b) the Remaining CB Conversion
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Subscribers”	CB Holders and the new investors of the Company who subscribed for New Shares under the New Issue
“Subscription Agreements”	the agreements entered into between the Company and certain new investors dated 6 October 2018 regarding the subscription for New Shares, as announced by the Company on 7 October 2018
“Substantial Shareholders”	the substantial Shareholders of the Company as of the Last Practicable Date, namely: Tianrui Group Company Limited, China Shanshui Investment Company Limited, Asia Cement Corporation and China National Building Material Company Limited
“US\$”	United States dollars, the lawful currency of the United States of America
“%”	per cent

By Order of the Board  
**China Shanshui Cement Group Limited**  
**CHANG Zhangli**  
*Chairman*

Hong Kong, 7 October 2018

*As at the date of this announcement, the Board comprises two executive Directors, namely Mr. CHANG Zhangli and Ms. WU Ling-ling; and three independent non-executive Directors, namely Mr. CHANG Ming-cheng, Mr. LI Jianwei and Mr. HSU You-yuan.*