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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)

VOLUNTARY ANNOUNCEMENT

UPDATE ON LEGAL PROCEEDINGS CONCERNING A DIRECTOR AND SUBSTANTIAL SHAREHOLDER

Reference is made to the clarification announcement of the Company dated 24 August 2014, the voluntary announcements dated 15 May 2015 and 21 May 2015 (the “**Announcements**”). Unless otherwise defined, capitalised terms used herein shall have the same meanings as those defined in the Announcements.

Subsequent to the High Court’s decision in allowing the appointment of the Receivers (the “**Decision**”) in China Shanshui Investment over approximately 43.29% of the entire issued share capital of China Shanshui Investment until the final determination of the Actions or further order of the High Court on 20 May 2015, the Company has been assessing the impact of the Decision on, amongst others, any contractual obligations of the Company and its subsidiaries (the “**Group**”).

The Board has been informed that the Decision has caused a number of undesirable consequences on the Group which may potentially affect the Group’s operation:

1. Borrowings from financial institutions: Some financial institutions have suspended the use by the Group of the outstanding unutilized amount of certain existing bank borrowings and the new bank borrowings applications from the Group, due to their concerns on the potential impact from the Decision on the Group.
2. Relationship with suppliers and contractors: Prior to the Decision, the suppliers and contractors of the Group have always been agreeable to offer the Group a credit period of approximately two to three months due to their long term business relationships. Since the Decision, some suppliers and contractors have demanded prompt payments and intended to review the customary credit period to the Group.
3. Joint ventures: The Group has established some joint ventures with certain joint venture partners (“**JV Partners**”) in conducting the cement business in areas where the Group is situated. Pursuant to the relevant joint venture agreements, the JV Partners are responsible for assisting in obtaining the requisite licenses for conducting the cement business in those areas. It has been brought to the attention of the Board that certain JV Partners have expressed their intention to review the joint venture relationship with the Group as a result of the Decision.

The Company understands that Mr. Zhang has already made applications for leave to appeal against the Decision and for stay of execution of the Decision until 21 days of the final determination of the application and if leave is granted, the intended appeal. Although the Company has not been named as a party to the Actions, should the aforesaid applications be dismissed or the Decision be upheld by the High Court, the situation surrounding the above incidents may not be improved and the relevant adverse result may impact, amongst others, the cash flow positions of the Group and the operations of the joint ventures, which in turn may affect the financial position, business and operation of the Group.

The Company will continue to monitor the progress of the abovementioned legal action and will make further announcement(s) timely in respect of the above matter as and when appropriate.

By Order of the Board
ZHANG Bin
Chairman

Hong Kong, 9 June 2015

As at the date hereof, the board of directors of the Company comprises 3 executive directors, namely ZHANG Bin (Chairman), ZHANG Caikui and LI Cheung Hung; 2 non-executive directors, namely CHANG Zhangli and LEE Kuan-chun (also known as Champion Lee); and 1 independent non-executive director, namely WU Xiaoyun.