

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.

This announcement is made for information purpose only and does not constitute an invitation or offer to acquire, purchase, or subscribe for any securities of the Company.



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)

ENTERING INTO A PLACING AGREEMENT RELATING TO PLACING OF NEW SHARES UNDER SPECIFIC MANDATE

Financial adviser to the Company



禹銘投資管理有限公司
YU MING INVESTMENT MANAGEMENT LIMITED

Placing agents



新鴻基金融集團
SUN HUNG KAI FINANCIAL



農銀國際
ABC INTERNATIONAL

Reference is made to the announcement of China Shanshui Cement Group Limited (the “**Company**”) dated 12 September 2016 relating to the Proposed Placing (the “**Announcement**”). Capitalised terms used in this announcement shall have the same meanings as those defined in the Announcement unless specified otherwise.

PLACING AGREEMENT

On 6 October 2016, the Company, SHKIS and ABCI (collectively placing agents, the “**Placing Agents**”) entered into a placing agreement (the “**Placing Agreement**”) relating to the proposed placing of new shares of the Company (the “**Placing**”). Principal terms of the Placing Agreement are as follows:

Placing Obligation

The Company shall offer a minimum of 910,000,000 new Shares and a maximum of 950,000,000 new Shares (the “**Placing Shares**” and each a “**Placing Share**”) for subscription and the Placing Agents agree to, use their best efforts, as agents of the Company to procure, either by themselves or through their sub-placing agents, the placees (the “**Placees**”) to subscribe the Placing Shares at a placing price of not less than HK\$0.50 per Placing Share (the “**Placing Price**”), on the terms and conditions of the Placing Agreement.

The obligations of the Placing Agents under the Placing Agreement (and, in particular, each of their obligations in relation to the Placing shall be several only) shall be in the amounts to be decided between them and notified to the Company in writing, provided that the number of Shares to be placed under the Placing Agreement shall be in aggregate no less than 910,000,000 Placing Shares and no more than 950,000,000 Placing Shares.

The choice of the Placees for the Placing Shares shall be determined by the Placing Agents, subject to (i) the prior approval of the Company in writing; and (ii) the requirements of the Listing Rules and the Placing Agents shall not place any of the Placing Shares to any connected person (as defined in the Listing Rules) of the Company.

The obligations of the Placing Agents under the Placing Agreement (and, in particular, each of their obligations in relation to the placing of the Placing Shares on a best efforts basis) shall be several only and not joint, nor joint and several. Each Placing Agent shall be under no obligation to purchase any of the Placing Shares as principal.

The minimum number of the Placing Shares will represent approximately (i) 26.9% of the total number of Shares in issue as at the date of this announcement; and (ii) 21.2% of the total number of Shares as enlarged by the allotment and issue of such number of Placing Shares (assuming there is no other change in the share capital of the Company).

The maximum number of the Placing Shares will represent approximately (i) 28.1% of the total number of Shares in issue as at the date of this announcement; and (ii) 21.9% of the total number of Shares as enlarged by the allotment and issue of such number of Placing Shares (assuming there is no other change in the share capital of the Company).

The aggregate nominal values of the minimum and maximum number of Placing Shares amount to US\$9,100,000 and US\$9,500,000, respectively.

Placees

The Placees shall be professional, institutional and other investors selected and procured by or on behalf of the Placing Agents.

Each of the Placing Agents, on a several basis, undertakes to the Company that it shall use its best effort to ensure that:

- (i) it will, together with the other Placing Agent, place the Placing Shares to not less than six independent Placees and the Placing will be a private placement of securities and not an offer to the public;
- (ii) the Placees (and their ultimate beneficial owners) will be parties independent of and not acting in concert (as defined in the Hong Kong Code on Takeovers and Merger) with the Company or its connected persons (as defined in the Listing Rules); and
- (iii) each of the Placees will not hold such number of the Placing Shares, as represent 10% or more of the Company's enlarged issued share capital as at the Completion Date (as defined below).

Placing Price

The Placing Price will be not less than HK\$0.50 per Placing Share. The final Placing Price will be determined between the Company and the Placing Agents with reference to, among other things, market conditions and potential investors' response to the Placing.

The minimum Placing Price of HK\$0.50 represents:

- (i) a discount of approximately 92.1% to the closing price of HK\$6.29 per Share as quoted on the Stock Exchange on the Last Trading Day; and
- (ii) a discount of approximately 55.0% to the unaudited consolidated net assets per Share of approximately HK\$1.11 as at 30 June 2016 (based on the Company's unaudited consolidated net assets attributable to owners of the Company of RMB3,214,709,000 (equivalent to approximately HK\$3,761,210,000) as at 30 June 2016 and 3,379,140,240 Shares in issue as at the date of this announcement).

The minimum Placing Price was arrived at after arm's length negotiation between the Company and the Placing Agents with reference to, among other things, (i) the net current liabilities of the Group of approximately RMB17,630 million as at 30 June 2016; (ii) the net asset per Share of the Group of HK\$1.11 as at 30 June 2016; (iii) price to book ratio of cement companies listed on the Stock Exchange; (iv) the prolonged suspension of trading in the Shares since 16 April 2015; and (v) the outstanding financial liabilities of the Group and litigations involving the Group.

Undertakings

The Company has undertaken to the Placing Agents, among other things:

- (i) the Company shall notify the Placing Agents forthwith if the Stock Exchange indicates to it that trading of the Shares on the Stock Exchange would not resume following completion of the Placing ("**Completion**"); and
- (ii) other than the allotment and issue of the Placing Shares, no further shares or securities convertible into equity securities of the Company may be issued by the Company or form the subject of any agreement to such an issue within 90 days immediately after the Completion Date (as defined below).

Mandate to issue the Placing Shares

The Placing Shares proposed to be issued under the Placing Agreement will be allotted and issued under the Specific Mandate to be obtained at the EGM.

Ranking of the Placing Shares

The Placing Shares, when issued and fully paid, will rank pari passu in all respects with the Shares in issue on the date of allotment and issue of the Placing Shares.

Application for listing

The Company will apply to the Stock Exchange for the listing of, and permission to deal in, the Placing Shares.

Placing commission payable to the Placing Agents

The Company had paid a non-refundable Upfront Fee of HK\$500,000 and HK\$500,000 to SHKIS and ABCI respectively upon signing of the Engagement Letters.

In addition to the Upfront Fee, the Company shall pay the Placing Agents a commission of 3% of the aggregate Placing Price of the Placing Shares actually placed by each of the Placing Agents.

The Upfront Fee and the commission rate of the Placing were arrived at after arm's length negotiations between the Company and the Placing Agents with reference to the prevailing market conditions and the financial conditions of the Group. The Directors consider that the placing commission is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Based on the minimum Placing Price of HK\$0.50 per Placing Share, the net Placing Price (after deduction of all expenses) is approximately HK\$0.48 per Placing Share (assuming a minimum of 910,000,000 Placing Shares are successfully placed) or HK\$0.48 per Placing Share (assuming a maximum of 950,000,000 Placing Shares are successfully placed).

Conditions of the Placing

Completion of the Placing will be conditional upon the fulfilment of the following conditions:

- (i) the passing of the ordinary resolutions by the Shareholders at the EGM approving the Specific Mandate and the Placing in accordance with the memorandum of association and articles of association of the Company and the Listing Rules; and
- (ii) listing of and permission to deal in all the Shares to be allotted and issued in the Placing being granted by the Listing Committee of the Stock Exchange in principle and dealings in such Shares being allowed by the Stock Exchange subject to the restoration of the public float of the Shares in compliance with Rule 8.08(1)(a) of the Listing Rules immediately after the allotment and issue of such Shares (and such listing and permission not subsequently being revoked).

None of the conditions precedent as set out above is capable of being waived by any party to the Placing Agreement.

If any of the above conditions precedent shall not have been fulfilled by 5:00 p.m. (Hong Kong time) on 3 February 2017, all obligations and liabilities of the parties under the Placing Agreement shall cease and terminate and no party shall have any claim against the others in relation thereto save for antecedent breaches of the provisions of the Placing Agreement.

Completion of the Placing

Completion shall take place on the third Business Day after the day on which the last conditions precedent set out above has been fulfilled or such other date as may be agreed between the Company and the Placing Agents in writing (the "**Completion Date**").

Since not less than 910,000,000 Placing Shares and not more than 950,000,000 Placing Shares will be allotted and issued subject to fulfillment of the conditions precedent set out above in the Placing, the public Shareholders will hold not less than 25% issued share capital of the Company and the public float of the Company will be restored upon Completion.

Termination

Notwithstanding anything contained in the Placing Agreement, if at any time prior to 8:00 a.m. (Hong Kong time) on the Completion Date,

- (a) there develops, occurs or comes into force:
 - (i) any new law or regulation or any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in existing laws or regulations or the interpretation or application thereof by any court or other competent authority and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (ii) any event, or series of events beyond the control of the Placing Agents (including, without limitation, any calamity, act of government, strike, labour dispute, lock-out, fire, explosion) and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (iii) flooding, earthquake, civil commotion, economic sanctions, epidemic, pandemic, outbreak of infectious disease, outbreak or escalation of hostilities, act of terrorism and act of God) involving Hong Kong, the PRC, the United Kingdom or the United States, or the declaration by Hong Kong, the PRC, the United Kingdom, the European Union or the United States of war or a state of emergency or calamity or crisis and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (iv) any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in local, national or international financial, political, economic, legal or military conditions and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (v) any change (whether or not permanent) or development (whether or not permanent) involving a prospective change in local, national or international securities market conditions or currency exchange rates or exchange controls and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (vi) a general moratorium on commercial banking activities in Hong Kong, the PRC, London or New York declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in Hong Kong, the PRC, the United Kingdom or the United States and which in the opinion of the Placing Agents would prejudice the success of the Placing; or
 - (vii) any moratorium, suspension or material restriction on trading in shares or securities generally on the Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the London Stock Exchange, or the New York Stock Exchange due to exceptional financial circumstances or otherwise and which in the opinion of the Placing Agents would prejudice the success of the Placing; or

- (b) there is any change, or any development involving a prospective change, in or affecting the business, general affairs, management, prospects, assets and liabilities, shareholders' equity, results of operations or position, financial or otherwise, of the Company and its subsidiaries (other than those already disclosed to the public on or before the date of the Placing Agreement) as a whole, which, in the opinion of the Placing Agents is or is likely to be adverse to the Placing, or makes or is likely to make it impracticable or inadvisable or inexpedient to proceed therewith; or
- (c) the Placing Agents shall receive notification or shall otherwise become aware that any of the representations and warranties provided by the Company as set out in the Placing Agreement was, when given, untrue or inaccurate in any material respect and the effect of such breach would, in the reasonable opinion of the Placing Agents, adversely affect the success of the Placing or otherwise make it inexpedient or inadvisable for the Placing to proceed;

then and in any such case, with respect to the Placing, if any of the events set out above occur at any time on or prior to 8:00 a.m. (Hong Kong time) on the Completion Date, the Placing Agents may terminate the Placing Agreement without liability to the Company by giving notice in writing to the Company, which notice may be given at any time prior to 8:00 a.m. (Hong Kong time) on the Completion Date.

REASON FOR THE PLACING AND USE OF PROCEEDS

The Group is principally engaged in the manufacturing and sale of cement, clinker and concrete. Trading in the Shares has been suspended since 16 April 2015 due to insufficiency of public float.

As disclosed in the interim report of the Company for the six months ended 30 June 2016, the Group had current assets of approximately RMB4,283.1 million and current liabilities of approximately RMB21,913.1 million, and a net current liabilities position of RMB17,630.0 million as a result.

After the approval of the appointment of the Incumbent Directors by the Shareholders at the extraordinary general meeting of the Company held on 1 December 2015, the Incumbent Directors has been trying to resolve the liquidity problem of the Group and restore the public float of the Company with the assistance of its advisers.

However, from 21 July 2015 to 10 May 2016, the Company was in an offer period and restricted to issue any new Shares as a result of the possible voluntary general offer purported to be made by the Possible Offerors. On 18 April 2016, the Company submitted a “put up or shut up” ruling application to SFC requiring the Possible Offerors either to “put up” an offer or “shut up”. On 26 April 2016, SFC ruled that the Possible Offerors should on or before 26 May 2016 “put up” an offer or “shut up”. On 10 May 2016, the Possible Offerors announced their decision of not to proceed with the possible offer and the offer period of the Company ceased thereafter.

In order to restore the public float of the Company, the Company proposed a combination of open offer and placing (the “**Proposal**”) with an aim to ease the liquidity problem of the Group and restore the public float of the Company at the same time. However, no response was received from certain Substantial Shareholders and the market sentiment and feedback on such open offer was not positive as reported by the potential underwriters. The Proposal was set aside as a result.

The Company subsequently proposed to conduct the Placing after discussion with its advisers and the Placing Agents. Upon completion of the Placing, public float of the Company will be restored which will facilitate the future fund raisings of the Company to resolve its liquidity issue.

Based on the minimum number of 910,000,000 Placing Shares and the maximum number of 950,000,000 Placing Shares, the gross proceeds (before expenses) will range from approximately HK\$455 million to HK\$475 million, respectively, and the estimated net proceeds of the Placing will range from approximately HK\$436.85 million to approximately HK\$456.25 million, respectively. The Company intends to apply such net proceeds to settle the outstanding debt of the Group (excluding the debt owed to its connected persons).

The Directors consider that the Placing is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

CHANGES IN SHAREHOLDING STRUCTURE

For illustration purpose only, set out below is the shareholding structure of the Company (i) as at the date of this announcement; and (ii) upon Completion (assuming there being no other change in the share capital of the Company).

	As at the date of this announcement		Upon Completion			
			Assuming the minimum number of Placing Shares are placed		Assuming the maximum number of Placing Shares are placed	
	No. of Shares	%	No. of Shares	%	No. of Shares	%
Tianrui	951,462,000	28.16%	951,462,000	22.18%	951,462,000	21.98%
CSI	847,908,316	25.09%	847,908,316	19.77%	847,908,316	19.59%
ACC	708,263,500	20.96%	708,263,500	16.51%	708,263,500	16.36%
CNBM	563,190,040	16.67%	563,190,040	13.13%	563,190,040	13.01%
Yu Yuan (Note)	142,643,000	4.22%	142,643,000	3.33%	142,643,000	3.29%
<i>Public Shareholders</i>						
Placees	–	–	910,000,000	21.22%	950,000,000	21.94%
Other public Shareholders	165,673,384	4.90%	165,673,384	3.86%	165,673,384	3.83%
<i>Sub-total</i>	<u>165,673,384</u>	<u>4.90%</u>	<u>1,075,673,384</u>	<u>25.08%</u>	<u>1,115,673,384</u>	<u>25.77%</u>
Total	<u>3,379,140,240</u>	<u>100.00%</u>	<u>4,289,140,240</u>	<u>100.00%</u>	<u>4,329,140,240</u>	<u>100.00%</u>

Note: ACC controls the exercise of voting rights of the 142,643,000 Shares owned by Yu Yuan.

FUND RAISING EXERCISE OF THE COMPANY DURING THE PAST 12 MONTHS

The Company has not carried out any fund raising activities during the 12 months immediately preceding the date of this announcement.

LISTING RULES IMPLICATIONS

The Placing Shares will be allotted and issued under the Specific Mandate to be sought at the EGM.

The EGM will be convened and held for the Shareholders to consider and, if thought fit, approve, among other things, the Specific Mandate.

No Shareholder is required to abstain from voting for the Specific Mandate at the EGM.

GENERAL

A circular containing, among others, (i) further details of the Placing and the Placing Agreement; and (ii) the notice of EGM, is expected to be despatched to the Shareholders on or before 14 October 2016.

WARNING

Shareholders and potential investors of the Company should note that the Placing is conditional upon, among others, the Placing Agreement having become unconditional and the Placing Agents not having terminated the Placing Agreement in accordance with the terms thereof. Accordingly, the Placing may or may not proceed and the public float of the Shares may or may not be restored.

In the event that the public float of the Shares is not restored, trading in the Shares will continue to be suspended. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the Shares. If they are in any doubt about their position, they should consult their professional advisers.

CONTINUATION OF SUSPENSION OF TRADING

At the request of the Company, trading in the Shares on the Stock Exchange was suspended with effect from 9:00 a.m. on 16 April 2015. Trading in the Shares will remain suspended until further notice. If the public float of the Shares is restored upon completion of the Placing, the Company will apply for resumption of trading in the Shares.

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

Hong Kong, 6 October 2016

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 1 non-executive director, namely, CHONG Cha Hwa; and 5 independent non-executive directors, namely, HO Man Kay, Angela, LAW Pui Cheung, WONG Chi Keung, CHING Siu Ming and LO Chung Hing.