

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this document, 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 document.*



## **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)**

### **CONTINUING CONNECTED TRANSACTIONS**

#### **CONTINUING CONNECTED TRANSACTION**

Reference is made to the disclosure in the Prospectus relating to a non-exempt continuing connected transaction entered into between the Company and Tianjin Tianhui whereby Tianjin Tianhui agreed to purchase clinker produced by the Group from time to time.

Tianjin Tianhui is a subsidiary of Jinan Shanshui which is indirectly controlled by Mr Zhang Caikui, a Director and one of the controlling shareholders of the Company, as to more than 30%. Therefore, Tianjin Tianhui is a connected person of the Company and the transactions between Tianjin Tianhui and the Company would accordingly constitute connected transactions for the Company. At the time of the Company's listing of its Shares in July 2008, the Stock Exchange granted a waiver from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules relating to the Transaction, subject to a maximum aggregate annual cap. It is also a condition of the waiver that if any terms of the Transaction are altered, the Company will have to comply with the provisions of Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

It has come to the Company's attention during the course of the verification of the financial statements for the financial year ended 31 December 2008 that the cap for 2008 in respect of the Transaction has been exceeded.

The applicable percentage ratios in respect of the aggregate amount for the Transaction for the financial year ended 31 December 2008 were less than 2.5% on an annual basis. The Transaction for the financial year ended 31 December 2008 was therefore only subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules.

#### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2009 AND 2010**

The Company will continue to carry out the Transaction with Tianjin Tianhui pursuant to the same terms and conditions as set out in the Framework Agreement. Based on the estimated demand from Tianjin Tianhui under the Framework Agreement and the historical transaction amount, the Directors estimate that the aggregate sales to Tianjin Tianhui in respect of the two financial years ending 31 December 2009 and 2010 will be no more than RMB71 million and RMB77 million, respectively, which accordingly are set as the annual caps for 2009 and 2010 for the Transaction, respectively.

Since the applicable percentage ratios in respect of the annual caps for the Transaction for the two financial years ending 31 December 2009 and 2010 are respectively less than 2.5% on an annual basis, the Transaction will be exempt from the independent shareholders' approval requirements but will be subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules.

#### **CONTINUING CONNECTED TRANSACTION**

Reference is made to the disclosure in the Prospectus relating to a non-exempt continuing connected transaction entered into between the Company and Tianjin Tianhui whereby Tianjin Tianhui agreed to purchase clinker produced by the Group from time to time. The Company has been providing clinker to Tianjin Tianhui as raw materials of its cement production operation throughout the track record period as described in the Prospectus and has decided to continue such provision after listing of the Shares.

Tianjin Tianhui is a subsidiary of Jinan Shanshui which is indirectly controlled by Mr Zhang Caikui, a Director and one of the controlling shareholders of the Company, as to more than 30%. Therefore, Tianjin Tianhui is a connected person of the Company and the transactions between Tianjin Tianhui and the Company would accordingly constitute connected transactions for the Company.

At the time of the Company's listing of its Shares in July 2008, the Stock Exchange granted a waiver from strict compliance with the relevant requirements in Chapter 14A of the Listing Rules relating to the Transaction, subject to a maximum aggregate annual cap. It is also a condition of the waiver that if any terms of the Transaction are altered, the Company will have to comply with the provisions of Chapter 14A of the Listing Rules unless it applies for and obtains a separate waiver from the Stock Exchange.

It has come to the Company's attention during the course of the verification of the financial statements for the financial year ended 31 December 2008 that the cap for 2008 in respect of the Transaction has been exceeded.

The Company has been monitoring all of its continuing connected transactions as required by the Listing Rules. The volume of cement produced by Tianjin Tianhui for the financial year ended 31 December 2007 was 246,200 tons and the aggregate transaction value between the Company and Tianjin Tianhui for the same period was RMB21.3 million. The annual cap for 2008 in the sum of RMB45 million was based on the projected production volume of Tianjin Tianhui of 400,000 tons and the prevailing market price of clinker in 2007. However, as the market price of clinker has increased by more than 35% since 2007, and the actual production volume of Tianjin Tianhui in 2008 was 417,600 tons which is higher than expected, the original estimation was exceeded. The Company became aware that the cap for 2008 was exceeded only recently. The transaction value between the Company and Tianjin Tianhui was approximately RMB55.4 million (unaudited) for the financial year ended 31 December 2008 which exceeded the cap amount of RMB45 million.

The applicable percentage ratios in respect of the aggregate amount for the Transaction for the financial year ended 31 December 2008 were less than 2.5% on an annual basis. The Transaction for the financial year ended 31 December 2008 was therefore only subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules.

#### **NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS FOR 2009 AND 2010**

The Framework Agreement has a term of three years commencing from the listing date of 14 July 2008. The Company will continue to carry out the Transaction with Tianjin Tianhui pursuant to the same terms and conditions as set out in the Framework Agreement.

The aggregate purchase of products by Tianjin Tianhui from the Group for the three financial years ended 31 December 2006, 2007 and 2008 were approximately RMB9.2 million, RMB21.6 million and RMB55.4 million (unaudited), respectively. For the months of January and February 2009, the aggregate transaction values under the Framework Agreement were approximately RMB5.9 million and RMB5.4 million, respectively. Based on the estimated demand from Tianjin Tianhui under the Framework Agreement and the historical transaction amount, the Directors estimate that the aggregate sales to Tianjin Tianhui in respect of the two financial years ending 31 December 2009 and 2010 will be no more than RMB71 million and RMB77 million, respectively, which accordingly are set as the annual caps for 2009 and 2010 for the Transaction, respectively.

The Framework Agreement was entered into in the ordinary and usual course of business of the Company. The terms of the Framework Agreement were negotiated on an arm's length basis and on normal commercial terms. The pricing or consideration of the Transaction has been, and will be, determined with reference to the prevailing market prices and would be no more favorable to or less favorable than those offered to other purchasers of the Group's products. The Directors (including the independent non-executive Directors), after reviewing the bases, are of the view that the terms of the Transaction and the proposed caps for the two financial years ending 2009 and 2010 are on normal commercial terms, and are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

On the basis of the annual caps set out above, as each of the relevant percentage ratios is on an annual basis less than 2.5%, the Transaction for the two financial years ending 2009 and 2010 will therefore be exempt from the independent shareholders' approval requirements but will be subject to the reporting and announcement requirements pursuant to Rules 14A.45 to 14A.47 of the Listing Rules.

## **GENERAL INFORMATION RELATING TO THE COMPANY AND TIANJIN TIANHUI**

The Company is a producer of clinker and cement in the PRC and Tianjin Tianhui is a company incorporated in the PRC which engages in small-scale cement production.

## DEFINITIONS

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors
“Company”	China Shanshui Cement Group Limited, a limited liability company incorporated in the Cayman Islands, the Shares of which are listed on the main board of the Stock Exchange
“Directors”	the directors of the Company
“Framework Agreement”	the framework agreement dated 14 June 2008 entered into between the Company and Tianjin Tianhui in relation to the Transaction
“Group”	the Company and its subsidiaries
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jinan Shanshui”	Jinan Shanshui Group Co., Ltd. (濟南山水集團有限工司), a limited liability company established in Shandong Province, PRC
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PRC”	The People’s Republic of China
“Prospectus”	the prospectus dated 20 June 2008 published by the Company, in accordance with the Listing Rules, at the time of listing of the Shares on the Stock Exchange
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) of US\$0.01 each in the capital of the Company
“Shareholder(s)”	holder(s) of Shares
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Tianjin Tianhui”	Tianjin Tianhui Cement Co., Ltd. (天津市天輝水泥有限公司), a limited liability company established in the PRC

“Transaction” the continuing connected transaction between the Company and Tianjin Tianhui relating to the provision of clinker produced by the Group to Tianjin Tianhui from time to time pursuant to the Framework Agreement

“%” per cent

By Order of the Board  
**China Shanshui Cement Group Limited**  
**ZHANG Bin LI Cheung Hung**  
*Joint Company Secretaries*

Hong Kong, 30 March 2009

At the date of this announcement, our board comprises the following:

*Executive Directors*

ZHANG Caikui  
LI Yanmin  
DONG Chengtian  
YU Yuchuan

*Non-executive Directors*

Homer SUN  
JIAO Shuge (alias JIAO Zhen)

*Independent Non-executive Directors*

WANG Yanmou  
SUN Jianguo  
WANG Jian