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China Conch Venture Holdings Limited

中國海螺創業控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock Code: 586)

CONTINUING CONNECTED TRANSACTIONS: THE MASTER AGREEMENTS

On 24 March 2014, the Group (through the CK Subsidiaries) entered into the CKEM Master Agreement with CKEM and the Kawasaki Master Agreement with Kawasaki HI. Pursuant to the CKEM Master Agreement, the CK Subsidiaries have agreed to supply waste parts, processing services and leasing of certain equipment to CKEM, while CKEM have agreed to supply certain equipment and products, processing services and leasing of certain equipment to the CK Subsidiaries. Pursuant to the Kawasaki Master Agreement, the CK Subsidiaries and Kawasaki HI have agreed to (i) provide to the other party certain design services and technical assistance; and (ii) supply to the other party equipment, parts and products related to, among other things, residual heat power generation.

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, both being indirect non-wholly owned subsidiaries of the Company. As more than 30% equity interest in each of the CK Subsidiaries is held by Kawasaki HI, it is a connected person of the Company under Chapter 14A of the Listing Rules.

CKEM is a joint controlled entity held by Kawasaki HI (which, as mentioned above, is a connected person of the Company) and Conch Cement in equal share. As more than 30% equity interest in CKEM is held by Kawasaki HI, CKEM is an associate of Kawasaki HI. Accordingly, it is a connected person of the Company under Chapter 14A of the Listing Rules.

The continuing connected transactions contemplated under the Kawasaki Master Agreement and the CKEM Master Agreement are entered into by the Group (through the CK Subsidiaries) with parties which are connected or otherwise associated with one another and are of similar nature. Under Rule 14A.25 of the Listing Rules, the continuing connected transactions contemplated under the Kawasaki Master Agreement and the CKEM Master Agreement may be aggregated. Upon such aggregation, the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) do not exceed 5%. Accordingly, pursuant to Rule 14A.34(1) of the Listing Rules, the transactions contemplated under the Master Agreements (after such aggregation) are only subject to announcement and reporting requirements and are exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

THE MASTER AGREEMENTS

On 24 March 2014, the Group (through the CK Subsidiaries) entered into the CKEM Master Agreement with CKEM and the Kawasaki Master Agreement with Kawasaki HI respectively. The principal terms of the CKEM Master Agreement and the Kawasaki Master Agreement are set out as follows:

The CKEM Master Agreement

- Date:** 24 March 2014
- Parties:**
- (1) The CK Subsidiaries on one part; and
 - (2) CKEM on the other part
- Types of goods and/or services rendered:**
- (1) Products/services supplied to the CK Subsidiaries by CKEM include:
 - (i) Pre-heaters, denitration equipment and casting parts; and
 - (ii) processing of parts.
 - (2) Products/services supplied to CKEM by the CK Subsidiaries include:
 - (i) waste parts; and
 - (ii) processing of parts (including extrusion rolls and abrasion resistant plates).
 - (3) Leasing:
 - (i) leasing of gas storage equipment and weighing equipment to the CK Subsidiaries by CKEM; and
 - (ii) leasing of furnaces and radiographic inspection equipment to CKEM by the CK Subsidiaries.
- Contract period:** From 24 March 2014 up to 31 December 2014
- Determination of purchase price:** The price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

For leasing of equipment under the CKEM Master Agreement, generally the fee will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of leasing of identical and/or similar equipment.

Early termination:

The parties may, at any time during the contract term, give the other party a three months' prior written notice to terminate the CKEM Master Agreement. A party is entitled to terminate the CKEM Master Agreement where the other party, among other things, is in liquidation or in breach of the CKEM Master Agreement where such breach could not be rectified within 30 days immediately after the non-defaulting party has served a written rectification request to the defaulting party.

Each formal order to be made under the CKEM Master Agreement shall contain, among other things, terms in connection with the price and quantity of equipment, parts and products concerned, the details of the services concerned, the time and place of delivery, payment terms, warranties and other relevant matters.

The Kawasaki Master Agreement

Date: 24 March 2014

Parties: (1) The CK Subsidiaries on one part; and
(2) Kawasaki HI on the other part

Types of goods and/or services rendered: (1) Products/services supplied to the CK Subsidiaries by Kawasaki HI include:
(i) equipment, parts and products including hydraulic stations, crushing machines and ancillary products;
(ii) design services and technical consultancy and instruction in relation to, among other things, vertical mill, vibrating screen, electric furnace, fire grate and boiler in relation to the waste incineration power generation, and residual heat power generation furnaces.
(2) Products/services supplied to Kawasaki HI by the CK Subsidiaries include:
(i) products including cement equipments, ancillary equipments in relation to environmental protection and residual heat power generation as well as ancillary products;

- (ii) design services in relation to, among other things, pre-heaters, waste treatment system, cement kiln residual heat furnaces and pressure pipes; and
- (iii) technical service including project maintenance and research.

Contract period: From 24 March 2014 up to 31 December 2014

Determination of purchase price: The price of the goods and/or services concerned will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods and/or services which may be supplied to or sourced from other Independent Third Parties. The price shall be no less favourable than the prices of identical and/or similar goods or services available to or from other Independent Third Parties.

Early termination: The parties may, at any time during the contract term, give the other party a three months' prior written notice to terminate the Kawasaki Master Agreement. A party is entitled to terminate the Kawasaki Master Agreement where the other party, among others, is in liquidation or in breach of the Kawasaki Master Agreement where such breach could not be rectified within 30 days immediately after the non-defaulting party has served a written rectification request to the defaulting party.

Each formal order to be made under the Kawasaki Master Agreement shall contain, among other things, terms in connection with the price and quantity of equipment, parts and products concerned, the details of the services concerned, the time and place of delivery, payment terms, warranties and other relevant matters.

Annual caps for 2014

The annual cap for the transactions under the CKEM Master Agreement in 2014 is RMB12.8 million. The annual cap for the transactions under the Kawasaki Master Agreement in 2014 is RMB14.9 million. The said annual caps are determined with reference to the Group's historical transactions of similar nature with CKEM and Kawasaki HI respectively and the Group's production plan for 2014.

REASONS AND BENEFITS FOR ENTERING INTO THE MASTER AGREEMENTS

The Group entered into various supply agreements with CKEM and Kawasaki HI respectively in 2013. It is expected that the Group will, from time to time, enter into similar transactions with CKEM and Kawasaki HI respectively in 2014. The Company considers it beneficial to enter into the Master Agreements to delineate the scope and terms of the similar transactions which may be entered into with CKEM and Kawasaki HI respectively in 2014.

Taking into account (among other factors) the quality and price of the products and services to be provided by, and the research and development capacity of each of CKEM and Kawasaki HI, the Company is of the view that bulk purchase of products, design services and technical assistance from each of CKEM and Kawasaki HI will give the Group an advantage in price bargaining, thereby lowering the purchase costs and enhancing the competitiveness of the Group's products.

The Company considers that the Group will be able to build up a greater market share and industry reputation in overseas market by supply of products and design services to Kawasaki HI under the Kawasaki Master Agreement. The Company also considers that the Group will gain from a higher utilization rate of its equipment, hence lower average costs by supply of services of processing parts and leasing of equipment under the CKEM Master Agreement.

The Directors, including the independent non-executive Directors, are of the view that:

- (a) the terms of the Master Agreements are negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the transactions contemplated under the Master Agreements were and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and
- (c) the terms of the Master Agreements are no less favourable to the Company than terms available from Independent Third Parties.

GENERAL

The principal activities of the Group are investment holding and provision of energy preservation and environmental protection solutions. Both of the CK Subsidiaries are operating subsidiaries of the Company.

Kawasaki HI is a company incorporated in Japan and is principally engaged in the business of manufacture of a wide range of technological products including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures.

CKEM is a company established in the PRC and is principally engaged in the business of design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment.

LISTING RULES IMPLICATIONS

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, both being indirect non-wholly owned subsidiaries of the Company. As Kawasaki HI owns more than 30% equity interest in each of the CK Subsidiaries, it is a connected person of the Company under Chapter 14A of the Listing Rules.

CKEM is a joint controlled entity held by Kawasaki HI (which is, as mentioned above, a connected person of the Company) and Conch Cement in equal share. As more than 30% equity interest in CKEM is held by Kawasaki HI, CKEM is an associate of Kawasaki HI. Accordingly, it is a connected person of the Company under Chapter 14A of the Listing Rules.

For such reasons, the respective transactions contemplated under each of the Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The continuing connected transactions contemplated under the Kawasaki Master Agreement and the CKEM Master Agreement are entered into by the Group (through the CK Subsidiaries) with parties which are connected or otherwise associated with one another and are of similar nature. Under Rule 14A.25 of the Listing Rules, the continuing connected transactions contemplated under the Kawasaki Master Agreement and the CKEM Master Agreement may be aggregated. Upon such aggregation, the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) do not exceed 5%. Accordingly, pursuant to Rule 14A.34(1) of the Listing Rules, the transactions contemplated under the Master Agreements (after such aggregation) are only subject to announcement and reporting requirements and are exempt from the independent shareholders' approval under Chapter 14A of the Listing Rules.

Since Mr. Guo Jingbin (non-executive Director) is a director of Conch Cement and Mr. Li Daming (executive Director) is a director of CKEM, they abstained from voting on the relevant board resolution(s) approving the Master Agreements. Save as disclosed above, none of the Directors have any material interest in the Master Agreements nor is any of them required to abstain from voting in respect of the relevant board resolution(s).

DEFINITIONS

“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“CKEM”	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*), a jointly controlled entity established in the PRC held by Kawasaki HI and Conch Cement and a connected person of the Company
“CKEM Master Agreement”	the agreement dated 24 March 2014 and entered into between the CK Subsidiaries on the one part and CKEM on the other part in relation to (i) sale and purchase, processing and leasing of certain equipment, parts and products and (ii) provision of certain design services
“CK Engineering”	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*), a company established in the PRC and held as to 51% equity interest by the Company indirectly

“CK Equipment”	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd*), a company established in the PRC and held as to 51% equity interest by the Company indirectly
“CK Subsidiaries”	collectively, CK Engineering and CK Equipment
“Company”	China Conch Venture Holdings Limited 中國海螺創業控股有限公司, an exempted company incorporated in the Cayman Islands with limited liability and the issued shares of which are listed on the Main Board of the Stock Exchange
“Conch Cement”	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co. Ltd.*), a company established in the PRC, with its A-shares listed on the Shanghai Stock Exchange of the PRC (Stock Code: 600585) and H-shares listed on the Stock Exchange (Stock Code: 00914)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of the Company and our connected persons
“Kawasaki HI”	Kawasaki Heavy Industries Ltd. (川崎重工業株式会社), a company incorporated in Japan and a connected person of the Company holding 49% equity interest in each of the CK Subsidiaries
“Kawasaki Master Agreement”	the agreement dated 24 March 2014 and entered into between the CK Subsidiaries on the one part and Kawasaki HI on the other part in relation to (i) sale and purchase of certain equipment, parts and products and (ii) provision of certain design services and technical assistance
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“Master Agreements”	collectively, the CKEM Master Agreement and the Kawasaki Master Agreement
“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

By Order of the Board
China Conch Venture Holdings Limited
GUO Jingbin
Chairman

Anhui Province, the People’s Republic of China, 24 March 2014

As at the date of this announcement, the non-executive Director is GUO Jingbin; the executive Directors are JI Qinying, LI Jian and LI Daming; and the independent non-executive Directors are CHAN Chi On (alias Derek CHAN), CHAN Kai Wing and LAU Chi Wah, Alex.

* *Transliteration for identification purpose only*