

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.

CONCH VENTURE
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 2018–2020 MASTER AGREEMENTS**

On 27 December 2017, the Group (through the CK Subsidiaries) entered into (a) the 2018–2020 CKEM Master Agreement with CKEM, and (b) the 2018–2020 Kawasaki Master Agreement with Kawasaki HI respectively. Pursuant to the 2018–2020 CKEM Master Agreement, the CK Subsidiaries have agreed to supply fragmentary material and processing services to CKEM, while CKEM has agreed to supply certain equipment and products to the CK Subsidiaries. Pursuant to the 2018–2020 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 relating to, among other things, residual heat power generation and garbage disposal.

The 2018–2020 Master Agreements have a term commencing from 1 January 2018 up to 31 December 2020.

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, all being indirect non-wholly owned subsidiaries of the Company. CKEM is a jointly controlled entity held by Kawasaki HI and Conch Cement in equal share. Both Kawasaki HI and CKEM are connected persons at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the 2018–2020 Master Agreements are only subject to announcement and reporting requirements, and are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

THE 2018–2020 MASTER AGREEMENTS

Reference is made to the Company's announcement dated 30 March 2015 in relation to, among other things, the 2015–2017 Master Agreements, both of which had a term commencing on 30 March 2015 and expiring on 31 December 2017. Pursuant to the 2018–2020 CKEM Master Agreement, the CK Subsidiaries agreed to supply fragmentary material

and processing services to CKEM, while CKEM agreed to supply certain equipment and products to the CK Subsidiaries. Pursuant to the 2018–2020 Kawasaki Master Agreement, the CK Subsidiaries and Kawasaki HI 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 and garbage disposal.

It is expected that following the expiry of the 2015–17 Master Agreements, the transactions of similar nature will continue. On 27 December 2017, the Group (through the CK Subsidiaries) entered into (a) the 2018–2020 CKEM Master Agreement with CKEM and (b) the 2018–2020 Kawasaki Master Agreement with Kawasaki HI respectively.

The respective principal terms of the 2018–2020 CKEM Master Agreement and the 2018–2020 Kawasaki Master Agreement are set out as follows:

	2018–2020 CKEM Master Agreement	2018–2020 Kawasaki Master Agreement
Date:	27 December 2017	
Parties:	(1) The CK Subsidiaries on the one part;	(1) The CK Subsidiaries on the one part;
	(2) CKEM on the other part	(2) Kawasaki HI on the other part
Types of goods and/or services rendered:	(1) <i>Products/services supplied to the CK Subsidiaries by CKEM include:</i>	(1) <i>Products/services supplied to the CK Subsidiaries by Kawasaki HI include:</i>
	(i) roller presses and castings.	(i) boiler steel, accessories; and
	(2) <i>Products/services supplied to CKEM by the CK Subsidiaries include:</i>	(ii) design services and technical consultancy and instruction services in relation to, among other things, vertical mill, grate furnace in relation to the waste incineration power generation, and residual heat power generation boiler.
	(i) fragmentary material; and	
	(ii) processing of parts (including extrusion rolls).	

2018–2020 CKEM Master Agreement

2018–2020 Kawasaki Master Agreement

(2) *Products/services supplied to Kawasaki HI by the CK Subsidiaries include:*

- (i) products including cement equipments, garbage disposal system, ancillary equipments in relation to environmental protection and residual heat power generation as well as ancillary products; and
- (ii) commissioning services in relation to equipments such as vertical mill.

Contract period: From 1 January 2018 up to 31 December 2020

Early termination: Each party to the relevant 2018–2020 Master Agreements may, at any time during the contract term, give the other party a three months’ prior written notice to terminate the agreement. A party is entitled to terminate the agreement where (among other events) the other party is in liquidation or in breach of the 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 2018–2020 Master Agreements 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.

Pricing policy

The price of the products and/or services supplied to the CK Subsidiaries by CKEM (or, as the case may be, Kawasaki HI) 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 sourced from other Independent Third Parties. It is expected that the parties shall obtain at least two to three quotations for identical and/or similar products and/or services from Independent Third Parties, and the price to be finally agreed with CKEM (or, as the case may be, Kawasaki HI) shall be no less favourable to the Group than the prices stated in such quotations.

The price of the products and/or services supplied by the CK Subsidiaries to CKEM (or, as the case may be, Kawasaki HI) will be determined by the parties (on arm's length basis and in good faith) on a cost-plus basis with reference to the procurement cost of the raw materials and parts for manufacture of the relevant products and production overhead, plus a reasonable profit margin rate ranging from 20% to 30% which is determined with reference to the average profit margin rate for the similar transactions under the 2015 Master Agreements in the previous financial year.

Historical transaction amounts

The historical transaction amounts and historical annual caps for the transactions contemplated under the 2015–17 Master Agreements for each of the financial years/period stated as follows:

	2015–17 CKEM Master Agreement		2015–17 Kawasaki Master Agreement	
	Annual cap (RMB)	Historical transaction amounts (RMB)	Annual cap (RMB)	Historical transaction amounts (RMB)
For the ten months end				
31 December 2015	44.2 million	19.1 million	39.4 million	6.3 million
For the year end 31 December 2016	29.2 million	15.7 million	29.2 million	3.4 million
For the eleven months ended				
30 November 2017 (<i>Note 1</i>)	29.2 million	4.52 million	29.2 million	28.6 million

Note 1: The historical transaction amounts represent the transactions amounts between CK Subsidiaries and each of CKEM and Kawasaki HI for the eleven months ended 30 November 2017.

Annual caps for each of the financial years ending 31 December 2018, 2019 and 2020

The annual caps for the transactions contemplated under the 2018–2020 Master Agreements for each of the financial years ending 31 December 2018, 2019 and 2020 are as follows:

Financial year ending 31 December	2018–2020 CKEM Master Agreement Annual caps (RMB) (note 1)	2018–2020 Kawasaki Master Agreement Annual caps (RMB) (note 2)
2018	29.0 million	68.7 million
2019	14.6 million	77.9 million
2020	14.7 million	68.9 million

Notes:

1. The annual cap for the 2018–2020 CKEM Master Agreement for 2018 is higher than that for 2019 and 2020 because the Group is expected to purchase a calendar press machine having an expected purchase price of approximately RMB7.9 million from CKEM for the Group’s milling station project in Cambodia.

The annual caps for the 2018–2020 CKEM Master Agreement for 2018, 2019 and 2020 are higher than the historical transaction amounts for the 2015 CKEM Master Agreement because in addition to the transaction mentioned in the preceding paragraph, the Group is also expected to purchase a total of 21 sets of grate furnace castings having the expected aggregate purchase prices of approximately RMB27.6 million during 2018 to 2020 from CKEM to meet the Group’s business needs.

2. The annual cap for the 2018–2020 Kawasaki Master Agreement for 2019 is higher than that for 2018 and 2020 because the Group is expected to supply a complete set of residual heat power generation equipment having an expected price of approximately RMB10 million to Kawasaki HI in 2019.

The annual caps for the 2018–2020 Kawasaki Master Agreement for 2018, 2019 and 2020 are higher than the historical transaction amounts for the 2015 Kawasaki Master Agreement because in addition to the transaction mentioned in the preceding paragraph, the Group is also expected to:

- (i) supply certain key components and parts of vertical mills having an expected aggregate transaction amount of approximately RMB35 million, RMB30 million and RMB30 million for 2018, 2019 and 2020 respectively to Kawasaki HI for its vertical mill projects in Indonesia, Tanzania and other countries; and
- (ii) engage Kawasaki HI for provision of certain technical services related to vertical mills having an expected transaction amount of approximately RMB2.3 million, RMB1.3 million and RMB1.4 million for 2018, 2019 and 2020 respectively.

The said annual caps are determined with reference to the following factors:

- (i) the historical transaction amounts of the transactions with CKEM and Kawasaki HI under the 2018–2020 Master Agreement ;
- (ii) the Group’s consolidated production and operation plans for 2017 and 2018; and
- (iii) the estimated transaction amount after taking into consideration the business needs of the Group in the next two years.

REASONS AND BENEFITS FOR ENTERING INTO THE 2018–2020 MASTER AGREEMENTS

The 2015 Master Agreements expired on 31 December 2017. It is expected that following the expiry of the 2015 Master Agreements, the transactions contemplated thereunder will continue. The Board considers it beneficial to the Company to enter into the 2018–2020 Master Agreements to delineate the scope and terms of the transactions which may be entered into by the Group with CKEM and Kawasaki HI respectively in 2018, 2019 and 2020.

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 Board 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 Board 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 2018–2020 Kawasaki Master Agreement. The Board 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 under the 2018–2020 CKEM Master Agreement.

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

- (a) the terms of the 2018–2020 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 2018–2020 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 2018–2020 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. All 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, all 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 at the subsidiary level 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 at the subsidiary level 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 at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

For such reasons, the respective transactions contemplated under each of the 2018–2020 Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The continuing connected transactions contemplated under the 2018–2020 Kawasaki Master Agreement and the 2018–2020 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.81 of the Listing Rules, the continuing connected transactions contemplated under the 2018–2020 Kawasaki Master Agreement and the 2018–2020 CKEM Master Agreement may be aggregated. Upon such aggregation, the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) for the transactions contemplated under the 2018–2020 Master Agreements for each of the financial years ending 31 December 2015, 2016 and 2017 do not exceed 5%.

As mentioned above, both Kawasaki HI and CKEM are connected persons at the subsidiary level of the Company. Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the 2018–2020 Master Agreements are only subject to announcement and reporting requirements, and are exempt from the circular, independent financial advice and shareholders' approval requirements under Chapter 14A of the Listing Rules.

None of the Directors have any material interest in the 2018–2020 Master Agreements nor is any of them required to abstain from voting in respect of the relevant board resolution(s).

DEFINITIONS

“2015 Announcement”	the Company’s announcement dated 30 March 2015 in relation to, among other things, the 2015 Master Agreements
“2015 CKEM Master Agreement”	the agreement dated 30 March 2015 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, brief details of which are set out in the 2015 Announcement
“2015 Kawasaki Master Agreement”	the agreement dated 30 March 2015 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, brief details of which are set out in the 2015 Announcement
“2015 Master Agreements”	collectively, the 2015 CKEM Master Agreement and the 2015 Kawasaki Master Agreement
“2018–2020 CKEM Master Agreement”	the agreement dated 1 January 2018 and entered into between the CK Subsidiaries on the one part and CKEM on the other part in relation to sale and purchase and processing of certain equipment, parts and products

“2018–2020 Kawasaki Master Agreement”	the agreement dated 1 January 2018 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
“2018–2020 Master Agreements”	collectively, the 2018–2020 CKEM Master Agreement and the 2018–2020 Kawasaki Master Agreement
“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of 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
“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 Environment”	上海海螺川崎節能環保工程有限公司 (Shanghai Conch Kawasaki Energy Conservation and Environment Conservation 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, CK Equipment and CK Environment
“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
“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. (川崎重工業株式會社), a company incorporated in Japan and a connected person of the Company holding 49% equity interest in each of the CK Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“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
27 December 2017

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

* *Translation or transliteration for identification purpose only*