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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)

CONNECTED TRANSACTION: EQUIPMENT SUPPLY CONTRACT

On 26 March 2014, the Equipment Supply Contract was entered into between CK Engineering (a subsidiary of the Company) and Kawasaki HI. Under the Equipment Supply Contract, Kawasaki HI conditionally agreed to purchase and CK Engineering conditionally agreed to supply certain equipments and spare parts, including but not limited to thermodynamic equipment, coal feeder, desulphurization system and chemical water treatment, in connection with certain project of construction of power plants in Myanmar.

Kawasaki HI holds 49% equity interest in CK Engineering, a subsidiary of the Company, accordingly Kawasaki HI is a connected person of the Company under Chapter 14A of the Listing Rules.

Reference is made to the CCT Announcement of the Company dated 24 March 2014 in relation to, among other things, the Master Agreements entered into between the Group (through CK Engineering and another subsidiary of the Company) and Kawasaki HI and CKEM (as defined in the CCT Announcement) respectively. The connected transaction contemplated under the Equipment Supply Contract and the continuing connected transactions contemplated under the Master Agreements are entered into by the Group 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 connected transaction contemplated under the Equipment Supply Contract and the continuing connected transactions contemplated under the Master Agreements may be aggregated. Upon such aggregation, the highest applicable percentage ratio (as prescribed under Chapter 14 of the Listing Rules) is higher than 5%.

For the above reasons, the transaction contemplated under the Equipment Supply Contract constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the Independent Shareholders' approval under Chapter 14A of the Listing Rules.

A circular containing, among other things, (i) further details of the Equipment Supply Contract and the transaction contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders setting out its recommendations in connection with the Equipment Supply Contract and the transaction contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Equipment Supply Contract and the transaction contemplated thereunder; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 16 April 2014 in accordance with the Listing Rules.

THE EQUIPMENT SUPPLY CONTRACT

On 26 March 2014, the Equipment Supply Contract was entered into between CK Engineering (a subsidiary of the Company) and Kawasaki HI in relation to supply by CK Engineering of certain equipments and spare parts to Kawasaki HI.

Date

26 March 2014

Parties

(1) CK Engineering

CK Engineering is a company established in the PRC and is principally engaged in the business of residual heat power generation; cement equipments and other environmentally friendly engineering design, construction and installation; and design, development, procurement and sale of related equipments. CK Engineering is a subsidiary of the Company and is owned as to 51% and 49% by the Company and Kawasaki HI respectively.

(2) Kawasaki HI

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.

As mentioned above, Kawasaki HI holds 49% equity interest in CK Engineering, a subsidiary of the Company. As Kawasaki HI owns more than 30% equity interest in CK Engineering, it is a connected person of the Company under Chapter 14A of the Listing Rules.

Conditions precedent

The Equipment Supply Contract shall be conditional upon:

- (i) the passing of the relevant resolution(s) by the Shareholders (or where applicable, the Independent Shareholders) of the Company approving the Equipment Supply Contract and the transaction contemplated thereunder at a general meeting in accordance with the Listing Rules; and
- (ii) (if required) all requisite waivers, consents and approvals from any relevant governments or regulatory authorities or stock exchange in connection with the transactions contemplated under the Equipment Supply Contract having been obtained.

The Equipment Supply Contract shall become effective on the date where the above conditions are satisfied.

Scope of supply

Under the Equipment Supply Contract, Kawasaki HI conditionally agreed to purchase and CK Engineering conditionally agreed to supply certain equipments and spare parts (such spare parts being aged less than 2 years and subject to passing of performance test(s)), including but not limited to thermodynamic equipment, coal feeder, desulphurization system and chemical water treatment, in connection with certain project of construction of power plants (“**Power Plants**”, comprising two units) in Myanmar.

CK Engineering shall be responsible for delivering the equipments and spare parts to the relevant port at Myanmar in different shipments in accordance with the delivery schedule as specified under the Equipment Supply Contract, but in any event the delivery date of the Last Major Shipment shall not be later than 15 months from the effective date of the Equipment Supply Contract (or an earlier date so agreed by the parties).

Contract price and payment terms

The contract price payable by Kawasaki HI to CK Engineering under the Equipment Supply Contract shall be approximately US\$43.8 million (equivalent to approximately HK\$339.9 million). The contract price shall be settled in the following manner:

- (1) 25% of the contract price amounting to approximately US\$11.0 million (equivalent to approximately HK\$85.0 million) shall be payable by Kawasaki HI within 10 working days after receipt of initial commercial invoice from CK Engineering;
- (2) 65% of the contract price amounting to approximately US\$28.5 million (equivalent to approximately HK\$221.1 million) shall be payable by Kawasaki HI within 40 working days after its receipt of the relevant shipping documents including but not limited to the relevant bill(s) of lading or airway bill(s) and certificate(s) of origin from manufacturers and/or CK Engineering;

- (3) 5% of the contract price amounting to approximately US\$2.2 million (equivalent to approximately HK\$17.0 million) shall be payable by Kawasaki HI within 10 working days after presentation of CK Engineering's relevant commercial invoice and the Provisional Acceptance Certificate of unit no.1 of the Power Plant; and
- (4) 5% of the contract price amounting to approximately US\$2.2 million (equivalent to approximately HK\$17.0 million) shall be payable by Kawasaki HI within 10 working days after presentation of CK Engineering's relevant commercial invoice and the Provisional Acceptance Certificate of unit no.2 of the Power Plant.

The contract price is fixed and is inclusive of, among other things, any taxes, fees and charges levied in the PRC in connection with the exportation of the equipments and spare parts.

The contract price is determined by the parties (on arm's length basis and in good faith) with reference to (i) the procurement cost of the raw materials and parts for manufacture of the equipments); (ii) the then prevailing market prices of similar equipment and spare parts which may be available to Independent Third Parties; and (iii) the allocations of cost, insurance and freight at the relevant port at Myanmar in accordance with Incoterms 2010.

Warranties and warranty period

Under the Equipment Supply Contract, CK Engineering warrants that, among other things,

- (a) the equipments shall be manufactured in accordance with the quality, standard and measurement as specified in the Equipment Supply Contract, and with sound engineering, design, manufacturing and workmanship;
- (b) the equipments shall be brand new, unused and free from defects in materials fabrication, design and workmanship; and
- (c) the equipments shall achieve the level of performance as specified in the Equipment Supply Contract.

Subject to the provisions of the Equipment Supply Contract, CK Engineering shall be liable for defects of the equipments and spare parts delivered under the Equipment Supply Contract resulting from faulty design, poor material and bad workmanship for a period of 12 months after issue of the relevant Provisional Acceptance Certificate and such liability shall, in any event, expire not later than 25 months from the Last Major Shipment.

REASONS AND BENEFITS FOR ENTERING INTO THE EQUIPMENT SUPPLY CONTRACT

The principal activities of the Group are investment holding and provision of energy preservation and environmental protection solutions. CK Engineering is one of the operating subsidiaries of the Company and, as mentioned above, is specialized in (among other businesses) engineering design for residual heat power generation and design, development and sale of related equipments. CK Engineering has been expanding into the market of supply of equipments to power plants.

By supply to Kawasaki HI of equipments and spare parts in relation to construction of coal power plants under the Equipment Supply Contract, the Directors consider that the Group will be able to build up a greater market share and industry reputation in overseas market as a supplier of equipments to power plants.

The Directors (excluding the independent non-executive Directors whose views will be formed after obtaining the advice of the independent financial adviser) are of the view that:

- (a) the terms of the Equipment Supply Contract are negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the transaction contemplated under the Equipment Supply Contract 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 Equipment Supply Contract are no less favourable to the Company than terms available from Independent Third Parties.

LISTING RULES IMPLICATIONS

Kawasaki HI holds 49% equity interest in CK Engineering, a subsidiary of the Company. As Kawasaki HI owns more than 30% equity interest in CK Engineering, accordingly Kawasaki HI is a connected person of the Company under Chapter 14A of the Listing Rules.

Reference is made to the announcement (“**CCT Announcement**”) of the Company dated 24 March 2014 in relation to, among other things, the Master Agreements (as defined in the CCT Announcement) entered into between the Group (through CK Engineering and another subsidiary of the Company) and Kawasaki HI and CKEM (as defined in the CCT Announcement) respectively. As mentioned in the CCT Announcement, more than 30% equity interest in CKEM is held by Kawasaki HI. Accordingly, CKEM is an associate of Kawasaki HI, hence is a connected person of the Company under Chapter 14A of the Listing Rules.

The connected transaction contemplated under the Equipment Supply Contract and the continuing connected transactions contemplated under the Master Agreements are entered into by the Group 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 connected transaction contemplated under the Equipment Supply Contract and the continuing connected transactions contemplated under the Master Agreements may be aggregated. Upon such aggregation, the highest applicable percentage ratio (as prescribed under Chapter 14 of the Listing Rules) is higher than 5%.

For the above reasons, the transaction contemplated under the Equipment Supply Contract constitutes a connected transaction for the Company under Chapter 14A of the Listing Rules and is subject to the Independent Shareholders' approval at the EGM under Chapter 14A of the Listing Rules.

THE EGM

The EGM will be convened for the Independent Shareholders to consider and, if thought fit, to approve the Equipment Supply Contract and the transaction contemplated thereunder. An Independent Board Committee comprising Mr. Chan Chi On (alias Derek Chan), Mr. Chan Kai Wing and Mr. Lau Chi Wah, Alex (all being independent non-executive Directors) has been established to advise the Independent Shareholders (i) as to whether the terms of the Equipment Supply Contract are fair and reasonable so far as the Independent Shareholders are concerned; (ii) as to whether the Equipment Supply Contract and the transaction contemplated thereunder are in the interests of the Company and the Independent Shareholders as a whole; and (iii) on how to vote in respect of the resolution(s) on the Equipment Supply Contract and the transaction contemplated thereunder at the EGM after taking into account the recommendation of the independent financial adviser to be appointed by the Company.

A circular containing, among other things, (i) further details of the Equipment Supply Contract and the transaction contemplated thereunder; (ii) a letter of advice from the Independent Board Committee to the Independent Shareholders setting out its recommendations in connection with the Equipment Supply Contract and the transaction contemplated thereunder; (iii) a letter of advice from the independent financial adviser to the Independent Board Committee and the Independent Shareholders in connection with the Equipment Supply Contract and the transaction contemplated thereunder; and (iv) a notice of the EGM, will be despatched to the Shareholders on or before 16 April 2014 in accordance with the Listing Rules.

DEFINITIONS

“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of the Directors
“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
“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
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company

“EGM”	the extraordinary general meeting of the Company to be convened for the Independent Shareholders to consider, and if thought fit, to approve, among other matters, the Equipment Supply Contract and the transaction contemplated thereunder in accordance with (among other applicable laws, rules, regulations and codes) the Listing Rules
“Equipment Supply Contract”	the agreement dated 26 March 2014 and entered into between CK Engineering and Kawasaki HI in relation to supply by CK Engineering of certain equipments and spare parts to Kawasaki HI
“Group”	collectively, the Company and its subsidiaries
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong for the time being
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Incoterms 2010”	a series of pre-defined commercial terms published by International Chamber of Commerce in September 2010, as amended
“Independent Board Committee”	an independent board committee of the Company, comprising all the independent non-executive Directors, for the purpose of advising the Independent Shareholders in respect of the Equipment Supply Contract and the transaction contemplated thereunder
“Independent Shareholders”	Shareholders who do not have any interest in the Equipment Supply Contract and the transaction contemplated thereunder
“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 its 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 CK Engineering (a subsidiary of the Company)
“Last Major Shipment”	the shipment by which not less than 95% of the equipments in invoice value has been completed, where the date of the Last Major Shipment shall be the date of bill of lading of the Last Major Shipment

“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
“Provisional Acceptance Certificate”	a certificate to be issued upon the equipment(s) passing certain performance test as stipulated in the Equipment Supply Contract
“Shareholder(s)”	holder(s) of ordinary share(s) of HK\$0.01 each in the share capital of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“US\$”	US dollar(s), the lawful currency of the United States of America

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

Anhui Province, the PRC, 26 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*

Unless the content states otherwise, conversion of US\$ into HK\$ is made for illustrative purpose only, at the rate of US\$1.00 = HK\$7.76 in this announcement.