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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)

CHANGE IN USE OF PROCEEDS

Reference is made to the prospectus dated 9 December 2013 published by China Conch Venture Holdings Limited (the “**Company**”, which together with its subsidiaries are referred to as the “**Group**”) in relation to the use of proceeds of the Global Offering and the Company’s announcement dated 23 September 2015 in relation to the change in use of proceeds (the “**announcement**”). Capitalised terms used herein shall have the same meanings as those defined in the prospectus and the announcement unless the context otherwise requires.

The Company’s shares were listed on the Main Board of the Stock Exchange on 19 December 2013. The net proceeds of the Global Offering (“**Net Proceeds**”) amounted to approximately HK\$3,968.3 million (approximately RMB3,118.9 million*), after deduction of listing expenses and underwriting fees.

As at 31 December 2015, the Group had utilised an aggregate amount of approximately RMB1,914.6 million of the Net Proceeds, and the remaining balance of the Net Proceeds amounted to RMB1,204.3 million. For details, please refer to the section headed “6. Report of the Directors — (6) Use of Proceeds from Listing and Change in Use of Proceeds” as set out in the Company’s 2015 Annual Report (the “**2015 Annual Report**”). As at 31 May 2016, the Company had utilised an aggregate amount of approximately RMB2,209.7 million of the Net Proceeds, and the remaining balance of the Net Proceeds amounted to RMB909.2 million.

Having considered the changes in the business environment, in order to utilise the Net Proceeds of the Global Offering in a more effective way and to facilitate efficient allocation of the Company's financial resources, the board (the "**Board**") of directors (the "**Directors**") of the Company recently reviewed the utilisation of the Net Proceeds of the Global Offering and resolved to change the use of Net Proceeds as follows:

Original intended use of Net Proceeds set out in the prospectus and the 2015 Annual Report	Balance as at 31 May 2016 <i>(RMB million)</i>	Revised Net Proceeds to be utilised after reallocation <i>(RMB million)</i>
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province	694.8	100.0
To be used for the establishment of production facilities of cellulose cement autoclaved boards in Bozhou, Anhui Province	168.8	50.0
To be used to carry out refuse and solid waste treatment and other environmental protection business within the Company's business scope by applying various business models	7.6	721.2

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

We have been focusing on market expansion since the commencement of the operation of the cellulose cement autoclaved boards project of the Group at the end of 2014. Currently, the steady rise of sales volume of cellulose cement autoclaved boards as compared to that of last quarter and the gradual growth of the rate of capacity utilization offer a promising prospect. The Group will continue to focus on expanding the market share of cellulose cement autoclaved boards by increasing the new production capacity after the existing production capacity has been fully utilised. The cellulose cement autoclaved boards project does not have an imperative needs of capital at the moment.

The environmental protection business of the Group relies on favorable national industry development policies. Because of the strong growth trend, the business scope of the Group has included collaborative treatment of municipal, solid and hazardous waste by cement kilns, grate furnace waste incineration power generation, etc. Since 2016, the Group has secured several projects including Wuhu, Huaibei, Susong County and Huoqiu County in Anhui; Bole and Shache (Yarkant) County in Xinjiang; Shimen County and Li County in Hunan; and Tongren in Guizhou. We have a total of over 40 projects in hand and many other projects are under discussion or with an intention to sign contracts. The rapid development of the environmental protection business requires a large amount of capital for the project establishment and operation.

In order to better utilise the Net Proceeds, the Board resolved that RMB713.6 million (approximately HK\$849.5 million) out of the Net Proceeds initially used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu and Bozhou would be reallocated for carrying out the environmental protection business such as solid waste treatment within the Company's business scope by applying various business models. The remaining Net Proceeds of 150 million (approximately HK\$178.5 million) of the cellulose cement autoclaved boards project would be used for the expansion of plants, procurement of raw materials, recruitment of staff and the establishment of sales market.

The Board considers that the above changes in the use of proceeds and the treatment of unutilised proceeds are fair and reasonable, and would meet the financial needs of the Group more efficiently and enhance the flexibility in financial management of the Company and is in the interests of the Company and its shareholders as a whole. The Directors will continuously assess the business objectives of the use of proceeds as set out in the prospectus and above in this announcement, and will revise or amend such plans to cope with the changing market conditions to ensure the business growth of the Group (if applicable).

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

Anhui Province, the People's Republic of China
21 June 2016

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

** In this announcement, unless otherwise stated, the translation of RMB into HK dollars is based on the exchange rate of approximately RMB 1=HK\$1.19.*