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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 2015–17 MASTER AGREEMENTS**

On 30 March 2015, the Group (through the CK Subsidiaries) entered into (a) the 2015–17 CKEM Master Agreement with CKEM, and (b) the 2015–17 Kawasaki Master Agreement with Kawasaki HI respectively. Pursuant to the 2015–17 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 2015–17 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.

The 2015–17 Master Agreements have a term commencing from 30 March 2015 up to 31 December 2017.

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, both being indirect non-wholly owned subsidiaries of the Company. CKEM is a joint 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 2015–17 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 2015–17 MASTER AGREEMENTS**

Reference is made to the Company's announcement dated 24 March 2014 in relation to, among other things, the 2014 Master Agreements, both of which had a term commencing on 24 March 2014 and expiring on 31 December 2014. Pursuant to the 2014 CKEM Master Agreement, the CK Subsidiaries agreed to supply waste parts, processing services and leasing of certain equipment to CKEM, while CKEM agreed to supply certain equipment and products, processing services and leasing of certain equipment to the CK Subsidiaries.

Pursuant to the 2014 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.

It is expected that following the expiry of the 2014 Master Agreements, the transactions of similar nature will continue. On 30 March 2015, the Group (through the CK Subsidiaries) entered into (a) the 2015–17 CKEM Master Agreement with CKEM and (b) the 2015–17 Kawasaki Master Agreement with Kawasaki HI respectively.

The respective principal terms of the 2015–17 CKEM Master Agreement and the 2015–17 Kawasaki Master Agreement are set out as follows:

	<b>2015–17 CKEM Master Agreement</b>	<b>2015–17 Kawasaki Master Agreement</b>
<b>Date:</b>	30 March 2015	
<b>Parties:</b>	(1) The CK Subsidiaries on the one part; (2) CKEM on the other part	(1) The CK Subsidiaries on the one part; (2) Kawasaki HI on the other part
<b>Types of goods and/or services rendered:</b>	<p>(1) <i>Products/services supplied to the CK Subsidiaries by CKEM include:</i></p> <p>(i) pre-heaters, denitration equipment and casting parts; and</p> <p>(ii) processing of parts.</p> <p>(2) <i>Products/services supplied to CKEM by the CK Subsidiaries include:</i></p> <p>(i) waste parts; and</p> <p>(ii) processing of parts (including extrusion rolls and abrasion resistant plates).</p> <p>(3) <i>Leasing:</i></p> <p>(i) leasing of gas storage equipment and weighing equipment to the CK Subsidiaries by CKEM; and</p> <p>(ii) leasing of furnaces and radiographic inspection equipment to CKEM by the CK Subsidiaries.</p>	<p>(1) <i>Products/services supplied to the CK Subsidiaries by Kawasaki HI include:</i></p> <p>(i) equipment, parts and products including hydraulic stations, pneumatic valves, vibrating device and ancillary products;</p> <p>(ii) design services and technical consultancy and instruction services 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</p> <p>(2) <i>Products/services supplied to Kawasaki HI by the CK Subsidiaries include:</i></p> <p>(i) products including cement equipments, ancillary equipments in relation to environmental protection and residual heat power generation as well as ancillary products;</p> <p>(ii) design services in relation to, among other things, pre-heaters, waste treatment system, cement kiln residual heat furnaces and pressure pipes; and</p> <p>(iii) technical services including project maintenance and research.</p>
<b>Contract period:</b>	From 30 March 2015 up to 31 December 2017	

**Determination of purchase price:** 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 2014 Master Agreements in the previous financial year.

For leasing of equipment under the 2015–17 CKEM Master Agreement, generally the fee will be determined by the parties (on arm's length basis and in good faith) with reference to an internal rate of return of the relevant equipment calculated with reference to the period in which the relevant equipment is depreciated.

**Early termination:** Each party to the relevant 2015–17 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 2015–17 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.

### **Historical transaction amounts**

The historical transaction amounts and historical annual caps for the transactions contemplated under the 2014 Master Agreements for the financial year ended 31 December 2014 are as follows:

<b>2014 CKEM Master Agreement</b>		<b>2014 Kawasaki Master Agreement</b>	
<b>Annual cap</b>	<b>Historical transaction amounts</b>	<b>Annual cap</b>	<b>Historical transaction amounts</b>
<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
12.8 million	7.5 million	14.9 million	11.7 million

## Annual caps for each of the financial years ending 31 December 2015, 2016 and 2017

The annual caps for the transactions contemplated under the 2015–17 Master Agreements for each of the financial years ending 31 December 2015, 2016 and 2017 are as follows:

<b>Financial year ending 31 December</b>	<b>2015–17 CKEM Master Agreement</b>	<b>2015–17 Kawasaki Master Agreement</b>
	<b>Annual caps (RMB) (note 1)</b>	<b>Annual caps (RMB) (note 2)</b>
2015	44.2 million	39.4 million
2016	29.2 million	29.2 million
2017	29.2 million	29.2 million

### Notes:

1. The annual cap for the 2015–17 CKEM Master Agreement for 2015 is higher than that for 2016 and 2017 because the Group is expected to purchase a set of pre-heater having an expected purchase price of approximately RMB15 million from CKEM during 2015 for the Group's cement equipment project in Indonesia.

The annual caps for the 2015–17 CKEM Master Agreement for 2015, 2016 and 2017 are higher than the historical transaction amounts for the 2014 CKEM Master Agreement because in addition to the transaction mentioned in the preceding paragraph, the Group is also expected to purchase pre-heaters and ancillary equipment having the expected aggregate purchase prices ranging from approximately RMB15 million to RMB17 million for each of 2015, 2016 and 2017 from CKEM for (among other things) the Group's cement equipment project in Zambia.

2. The annual cap for the 2015–17 Kawasaki Master Agreement for 2015 is higher than that for 2016 and 2017 because the Group is expected to supply a complete set of residual heat power generation equipment having an expected supply price of approximately RMB10 million to Kawasaki HI during 2015.

The annual caps for the 2015–17 Kawasaki Master Agreement for 2015, 2016 and 2017 are higher than the historical transaction amounts for the 2014 Kawasaki Master Agreement because in addition to the transaction mentioned in the preceding paragraph, the Group is also expected to purchase certain key components and parts of furnace having an expected aggregate purchase price of approximately RMB30 million from Kawasaki HI for the Group's power generation project in Thailand. Such purchase price will be recognised as expenses throughout 2015 to 2017.

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 respectively under the 2014 Master Agreements; and
- (ii) the Group's production plans for 2015, and estimated production requirements for 2016 and 2017, including the production requirements for waste incineration power generation and residual heat power generation projects already contracted or expected to be contracted during such periods;
- (iii) targeted sales of products and/or services which may be supplied to CKEM and Kawasaki HI respectively for 2015, 2016 and 2017.

## **REASONS AND BENEFITS FOR ENTERING INTO THE 2015–17 MASTER AGREEMENTS**

The 2014 Master Agreements expired on 31 December 2014. It is expected that following the expiry of the 2014 Master Agreements, the transactions contemplated thereunder will continue. The Board considers it beneficial to the Company to enter into the 2015–17 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 2015, 2016 and 2017.

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 2015–17 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 and leasing of equipment under the 2015–17 CKEM Master Agreement.

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

- (a) the terms of the 2015–17 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 2015–17 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 2015–17 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 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 2015–17 Master Agreements constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The continuing connected transactions contemplated under the 2015–17 Kawasaki Master Agreement and the 2015–17 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 2015–17 Kawasaki Master Agreement and the 2015–17 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 2015–17 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 2015–17 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.

Since Mr. GUO Jingbin (an executive Director) and Ms. ZHANG Mingjing are directors of Conch Cement and Mr. LI Daming (an executive Director) is a director of CKEM, each of them abstained from voting on the relevant board resolution(s) approving the 2015–17 Master Agreements. Save as disclosed above, none of the Directors have any material interest in the 2015–17 Master Agreements nor is any of them required to abstain from voting in respect of the relevant board resolution(s).

## DEFINITIONS

“2014 Announcement”	the Company’s announcement dated 24 March 2014 in relation to, among other things, the 2014 Master Agreements
“2014 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, brief details of which are set out in the 2014 Announcement
“2014 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, brief details of which are set out in the 2014 Announcement
“2014 Master Agreements”	collectively, the 2014 CKEM Master Agreement and the 2014 Kawasaki Master Agreement
“2015–17 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
“2015–17 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
“2015–17 Master Agreements”	collectively, the 2015–17 CKEM Master Agreement and the 2015–17 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 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
“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  
30 March 2015

*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; the non-executive Director is Ms. ZHANG Mingjing; 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*