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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. Capitalised terms used herein shall have the same meanings as those defined in the prospectus 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 stated in the section headed “Future Plans and Use of Proceeds” in the prospectus, the Group intended to use the Net Proceeds of the Global Offering for the following purposes:

- approximately 27.2%, or HK\$1,079.4 million (approximately RMB848.3 million), will be used for the establishment of production facilities of cellulose cement autoclaved boards in Wuhu, Anhui Province.
- approximately 9.8%, or HK\$388.9 million (approximately RMB305.7 million), will be used for the establishment of production facilities of wood wool cement boards in Wuhu, Anhui Province.
- approximately 12.6%, or HK\$500.0 million (approximately RMB393.0 million), will be used for the establishment of production facilities of cellulose cement autoclaved boards in Bozhou, Anhui Province.
- approximately 9.8%, or HK\$388.9 million (approximately RMB305.7 million), will be used for the establishment of production facilities of wood wool cement boards in Bozhou, Anhui Province.

- approximately 5.1%, or HK\$202.4 million (approximately RMB159.0 million), will be used for the maintenance of the port facilities of Yangzhou Haichang Port and expansion of its throughput capacity.
- approximately 22.5%, or HK\$892.8 million (approximately RMB701.7 million), will be used to carry out cement kiln waste incineration projects and waste incineration projects utilising our grate incinerators under BOT arrangement.
- approximately 3.2%, or HK\$127.0 million (approximately RMB99.8 million), will be used for the repayment of existing shareholder loan of HK\$99.1 million (RMB78.6 million, based on the exchange rate at the time of the loan) owing to HLGH Investment.
- the remaining amount of approximately HK\$388.9 million (approximately RMB305.7 million), representing not more than 9.8% of the Net Proceeds, will be used to provide funding for our working capital and other general corporate purposes.

As at 30 June 2015, the Group utilised an aggregate amount of approximately RMB1,438.6 million of the Net Proceeds, representing approximately 46.1% of the Net Proceeds. For details, please refer to the section headed “4.Management Discussion and Analysis — (X) Use of Proceeds from Listing” as set out in the Company’s 2015 Interim Report.

Since the Company's shares have been listed for over 1 year and 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 proceeds set out in the prospectus	Balance as at 31 August 2015 <i>(RMB million)</i>	Revised intended use of proceeds after reallocation	Revised Net Proceeds to be utilised after reallocation <i>(RMB million)</i>
To be used for the establishment of production facilities of wood wool cement boards in Wuhu, Anhui Province	305.7	Nil	Nil
To be used for the establishment of production facilities of wood wool cement boards in Bozhou, Anhui Province	305.7	Nil	Nil
To be used to carry out cement kiln waste incineration projects and waste incineration projects utilising our grate incinerators under BOT arrangement	10.7	To be used to carry out refuse and solid waste treatment projects within the Company's business scope by applying various business models	611.4
To be used for the repayment of shareholder loan owing to HLGH Investment	21.2	Nil	Nil
		To be used for the repayment of loans and borrowings	21.2

REASONS FOR AND BENEFITS OF THE CHANGE IN USE OF PROCEEDS

The Group has been monitoring the utilisation of the Net Proceeds. As the Group has 24 existing refuse treatment projects and it is expected that the number of projects would grow rapidly in the future, substantial capital is required for the construction and operation of the refuse and solid waste treatment projects. Since the listing of the Company, negotiation for the cooperation of application of wood wool cement boards has been stagnant. The Board resolved that the Group will terminate the operation of wood wool cement boards projects and the Net Proceeds originally intended to be used for the construction of production facilities of wood wool cement boards in Wuhu and Bozhou would be reallocated for carrying out refuse and solid waste treatment projects. Furthermore, the additional Net Proceeds received by the Company upon exercise of over-allotment option under the Global Offering was used on a pro rata basis as set out in the prospectus for the above purposes. As to the amount originally intended for repayment of shareholder's loan owing to HLGH Investment, as there is remaining balance after repayment of the shareholder's loan, the Board decided to apply the remaining balance to the repayment of loans and borrowings of the Group.

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, 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

23 September 2015

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\$1.27, being the exchange rate at the time when the Company received the Net Proceeds.*