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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)

CLARIFICATION ANNOUNCEMENT

In response to the enquiry from the Stock Exchange, the Company wishes to make the following clarifications with respect to certain background and historical information of the Reorganization and the Company.

I. CERTAIN ADDITIONAL INFORMATION REGARDING OUR COMPANY AND ANHUI CONCH GROUP

The history of the Group and its predecessor (in particular, CV Investment) is disclosed in the Prospectus in (among other sections) the following:

- (i) the section headed “History, Development and Reorganization — CV Investment — a holder of equity interest in CK Engineering, CK Equipment, HC Port and Conch Holdings before the Reorganization”, and
- (ii) paragraph 1.4(b) of Appendix V under the paragraph headed “Further information about Anhui Conch Group — Conch Holdings” of Appendix V to the Prospectus.

In this connection, certain changes concerning CV Investment becoming a holder of 49% equity interest in Conch Holdings are set out below:

A. Transfer of an 11% equity interest in Conch Holdings through judicial procedure

A set of rules entitled “Implementation Rules on the Conversion of the Balance of the Principal of “Loans for the Conversion of Government Allocated Funds” provided by Central government-level entities to State-owned Capital” (Jitouzi [1996] No. 2801) (《關於中央級“撥改貸”資金本息餘額轉為國家資本金的實施辦法》(計投資[1996]2801號)) (the “**Implementation Rules**”) were promulgated in 1996 by the former State Planning Commission and Ministry of Finance. In essence, the Implementation Rules were promulgated for the purpose of providing a legal basis for the conversion of government allocations or grants made to individual entities into capital contributions made to the same entities, so that allocations or grants previously made (and interest on such allocations/grants) were converted into, and became, part of the registered capital of the recipient of the allocations/grants. To put it simply, the effect of the Implementation Rules is to convert government allocations/grants previously made into a debt, and the debt was then converted into equity.

In February 2002, China New Building Materials Group Corporation (中國新型建築材料集團公司) (“**China NBMC**”) initiated legal proceedings at the Anhui Provincial People’s High Court pursuant to the Implementation Rules for the purpose of exercising its rights of claims as a contributor with respect to the government allocations provided to Conch Holdings.

Pursuant to the civil settlement order issued on June 7, 2002 by the Anhui Provincial People’s High Court, it was confirmed that, as a result of the government allocations/grants that were previously made, China NBMC held an 11% contributed interest in Conch Holdings. It is further confirmed in such judgment that, at any time prior to the completion of the registration of such change with the relevant AIC, Conch Holdings may solicit third parties for the acquisition of such interest from China NBMC without the requirement of obtaining consent, approval, permits or authorization from China NBMC.

The judgment also provided that, even if Conch Holdings failed to sell the 11% contributed interest, Conch Holdings was still able to avoid China NBMC from becoming its 11% shareholder if Conch Holdings was prepared to pay an equivalent amount to China NBMC (that is, the equivalent amount of previously made government allocations/grants and interest thereon that were converted into the 11% interest, plus costs and expenses incurred by China NBMC) and that, upon the first payment of any part of such equivalent amount, China NBMC would no longer be entitled to become an 11% shareholder of Conch Holdings but would, instead, become a creditor of Conch Holdings for the remaining balance of the equivalent amount.

An approval document was issued by the Anhui Provincial Government in 2002, stating that China NBMC was approved to hold the aforementioned 11% contributed interest. On November 18, 2002, CV Investment and China NBMC

entered into the Contributed Interest Transfer Agreement, which was set out as an appendix to the civil order granted by the Anhui Provincial People's High Court. On November 28, 2002, the relevant registration was made with the relevant AIC in respect of the transfer by China NBMC to CV Investment for a consideration of approximately RMB119.9 million pursuant to the terms of the Contributed Interest Transfer Agreement.

In the opinion of the PRC legal advisor of the Company, the transfer of the 11% interest in Conch Holdings by China NBMC to CV Investment pursuant to the judicial settlement procedures is legal and valid and that the relevant registration procedures of such change with the relevant AIC have been completed.

B. The restructuring proposal, the adjustment in the percentage of capital contribution by Anhui Investment and the transfer of 35.7% equity interest in Conch Holdings

As part of a proposal for Conch Holdings to settle certain outstanding compensation and performance-related wages amounting to RMB210.9 million then payable to a total of 6,036 registered employees who were qualified and entitled to such outstanding compensation and performance-related wages, in October 2002, Anhui Department of Human Resources and Social Security (“**Anhui HRSS Department**”) gave approvals to Conch Holdings to formulate a restructuring proposal with an aim to settle the outstanding compensation.

In 2002, to rationalize the corporate structure of Conch Holdings pursuant to the Companies Law of the People's Republic of China, Anhui Investment was designated as the registered shareholder and capital contributor of Conch Holdings to hold the state-owned interests in Conch Holdings for and on behalf of the Anhui Provincial Government. Pursuant to the “Notice of the General Office of the State Council on Forwarding the Opinions on the Reform of the Administrative Measures Concerning the Valuation of State-owned Assets for the purpose of Strengthening the Supervision and Management on Asset Valuation to the Ministry of Finance” (Guobanfa [2001] No. 102) (《關於國務院辦公廳轉發財政部關於改革國有資產評估行政管理方式加強資產評估監督管理工作意見的通知》(國辦發[2001]102號)) promulgated by the State Council on December 31, 2001, the requirement to obtain governmental department's confirmation and approval on state-owned valuation projects was abolished and where the projects have been approved by the provincial government, the valuation report should be reviewed and approved by the provincial finance department.

Based on such notice, a qualified assets appraisal company, Anhui Guoxin Assets Appraisal Co., Ltd. had valued the assets of Conch Holdings as of September 30, 2002 and such valuation report had been approved by the Anhui provincial finance department. Based on the valuation report, the net asset value of Conch Holdings was RMB2,192.0 million, of which Anhui Investment contributed 89% of the capital (equivalent to an amount of RMB1,950.88 million) and CV Investment contributed 11% of the capital (equivalent to an amount of RMB241.12 million).

In May 2003, the Anhui Provincial Government approved in principal the restructuring plan formulated and adopted by Conch Holdings. Pursuant to the approved restructuring proposal, the aforementioned outstanding economic compensation and performance-related wages payable by Conch Holdings of RMB210.9 million, together with a total amount of a one-off lump-sum compensation payable to the terminated employees of Conch Holdings amounting to RMB169.6 million as approved by the Anhui HRSS Department in March 2003, shall be deductible from the net asset value of the equity interest of RMB1,950.88 million held by Anhui Investment in Conch Holdings. Accordingly, the net asset value of Conch Holdings was adjusted to approximately RMB1,811.6 million, of which Anhui Investment owned as to approximately RMB1,570.5 million, representing 86.689% of the total capital and CV Investment owned as to the remaining 13.311% of the total capital, and their respective shareholding percentage in Conch Holdings had been adjusted accordingly.

On June 23, 2003, Anhui SASAC issued an approval document, pursuant to which stated that the registered capital of RMB800.0 million of Conch Holdings was approved, and of which, 51% is to be held by Anhui Investment and the remaining 49% is to be held by CV Investment. On October 24, 2003, the Anhui Provincial Government issued an approval document, which confirmed and ratified the approval from the Anhui SASAC as mentioned above.

Pursuant to the share transfer agreement entered into between CV Investment and Anhui Investment, Anhui Investment transferred 35.7% equity interest in Conch Holdings to CV Investment at a consideration of RMB646.54 million, which had been fully paid by CV Investment pursuant to the terms of such share transfer agreement. The sources of funding for CV Investment for the purpose of the payment of the aforementioned consideration mainly include: (i) the said compensation for the termination of employment and the remaining performance-related wages, which in aggregate amounted to about RMB380.5 million and (ii) the legitimate income and self-raised funding from relevant employees and shareholders.

As advised by the PRC legal advisor of the Company, CV Investment has obtained all necessary consents, approvals, licenses and authorizations in respect of its 49% equity interest in Conch Holdings and that CV Investment has completed the relevant registration of change with the relevant AIC and the completed registration is legal and valid. Accordingly, CV Investment became the lawful registered holder of 49% equity interest in Conch Holdings.

II. DETERMINATION OF CONSIDERATION FOR TRANSFER OF EQUITY INTERESTS IN CONCH HOLDINGS, CK ENGINEERING, CK EQUIPMENT AND HC PORT FROM CV INVESTMENT TO THE GROUP

To the best knowledge of the Directors, the basis for determining the consideration for the acquisition of the 49% equity interest in Conch Holdings, 51% equity interest in CK Engineering, 51% equity interest in CK Equipment and 75% equity interest in HC Port by Conch Venture Wuhu from CV Investment, as well as the transfer of the entire equity interest in Conch Venture Wuhu to Conch Venture Green (all of which formed part of the Reorganization steps taken by the Company in anticipation of the proposed Listing) using the face value of the registered capital, the historical cost of the equity

interest or the net book value of the equity interest to be acquired is largely made with reference to the values generally adopted in the market for determination of the consideration for transaction involving a restructuring or reorganization that does not involve in a change in ultimate beneficial owners. The basis of determining such consideration is also set out in the third column of the table on page V-16 of the Prospectus.

Taking into account the acquisition and share transfers is part of the Reorganization of the Company in anticipation of the Listing and not a commercial merger and acquisition made between completely independent vendor and purchaser, the Directors of the Company consider that, with reference to the general market practice in determining consideration for its restructuring exercise, that the consideration of the acquisition of the 49% equity interest in Conch Holdings should be based upon its historical cost, the acquisition of the three PRC operating subsidiaries (namely CK Engineering, CK Equipment and HC Port) shall be based on the net book value of each of these subsidiaries as set out in its latest audited financial statements, and that the consideration for the transfer of the shares in Conch Venture Wuhu (which was formed on May 31, 2013) should be based on its registered capital. Such consideration has also been agreed by the other remaining shareholders of the entities, which include, Anhui Investment, Kawasaki HI and Prosperity Trading, respectively.

As disclosed on page 121 of the Prospectus, as advised and confirmed by the PRC legal advisor of the Company, all applicable consents, approval and authorization with respect to the Reorganization have been duly obtained and that all relevant registration and filing procedures with the relevant AIC have been completed pursuant to applicable laws, rules and regulations. Accordingly, the transfers and acquisition under the Reorganization are legal and valid, and are not in breach and do not contravene any applicable laws and regulations.

In addition, the Directors are of the view that the ultimate beneficial owners of CV Investment and the ultimate beneficial owners of the Company are substantially the same group of SA Members Beneficiaries and hence, the Reorganization is not detrimental to the interests of the SA Members Beneficiaries, but on the other hand, the Reorganization, and as a result the Listing, shall be beneficial to the SA Members Beneficiaries by providing them with a channel to the capital markets.

As advised by the PRC legal advisor of the Company, there are no applicable provisions under PRC laws which govern or prescribe a requirement on the consideration for the acquisition by a PRC domestic enterprise of the equity interest of any non-state owned enterprise or such equity interest in a Sino-foreign non-state owned enterprise from its Chinese investors. Accordingly, the consideration may be freely determined between the parties to the acquisition subject to commercial negotiation.

III. CLAIMS BROUGHT BY SOME FORMER EMPLOYEES OF ANHUI CONCH GROUP

Certain claims were put forth by some former employees of the Anhui Conch Group or Conch Cement Group to request CV Investment for the confirmation of their identity as shareholders of CV Investment (then held through various Staff Associations) which was conferred during their respective period of employment, and request that after and notwithstanding the termination of their respective employment, they shall still be treated as a shareholder of CV Investment and shall be entitled to receive dividends thereto.

Based on a final judgment granted by the Anhui Province Xuancheng City Intermediate People's Court (the "**Xuancheng Court**") in September 2012, the court ruled that such former employees shall not be qualified to be a shareholder of CV Investment and that they ceased to be qualified for entitlement to the employee stock from the dates of the termination of their respective employment, and were only entitled to dividends declared and as approved by the then shareholders of CV Investment in relation to the employee stock held by them during his/her employment term and such dividend were to be distributed based on the number of shares vested in them on the dates of declaration of the relevant dividends. Accordingly, there is no outstanding shareholding dispute in relation to CV Investment and, in any event, such employees shall not be considered as shareholders of CV Investment, given the Xuancheng Court's decision that they are only entitled to dividend right to the extent of the ruling.

As confirmed by CV Investment, all dividends have been fully paid to such employees, and such employees were merely entitled to receive a fee for the cancellation of their respective employee stock of RMB5,792,495 in aggregate. CV Investment has issued cheques or remittance instructions for the payment of all such cancellation fee, as well as notices to the former employees who are entitled to such payment and, to date, RMB5,792,495 of such cancellation fee remain unclaimed because the employees concerned insist, despite the judgment granted by the Xuancheng Court, that they should continue to be considered as a shareholder of CV Investment and be entitled to receive dividends notwithstanding the termination of their respective employment. No appeal has been lodged by any of the employees against the decision of the Xuancheng Court.

So far as the Company is aware, all proceedings brought by such former employees at PRC courts in connection with the above claims were conclusively determined by the PRC courts and the claims of the former employees to shareholding have been ruled invalid, and there are no outstanding proceedings against CV Investment or any member of the Group.

The Company would also point out that such disputes were brought at the shareholders' level of CV Investment, and CV Investment is not a member of the Group. CV Investment may participate in litigation in its own name under the PRC laws, and any further civil claims lodged against CV Investment may be enforced against CV Investment. On such basis, the Company considers that such dispute should not have any impact on the operation and financial position of the Company.

IV. CONCLUSION

The Directors are of the view that all material information relevant to the Global Offering has been disclosed in the Prospectus. The Directors confirm that there has been no significant change affecting any matter contained in the Prospectus and that no significant new matter has arisen which would warrant the issuance of a supplemental prospectus under Rule 11.13 of the Listing Rules.

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

Hong Kong, December 18, 2013

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.