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CONCH VENTURE

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)

**PROPOSED ISSUE OF HK\$3,925,000,000 AGGREGATE PRINCIPAL
AMOUNT OF
ZERO COUPON GUARANTEED CONVERTIBLE BONDS DUE 2023,
BY CHINA CONCH VENTURE HOLDINGS INTERNATIONAL LIMITED,
A SUBSIDIARY OF CHINA CONCH VENTURES HOLDING LIMITED**

As Lead Managers

CREDIT SUISSE 

J.P.Morgan

PROPOSED ISSUE OF THE BONDS

The Board is pleased to announce that on 29 August 2018 the Company, as guarantor, and the Issuer (a wholly-owned subsidiary of the Company) have entered into the Subscription Agreement with the Lead Managers pursuant to which the Lead Managers have conditionally agreed severally to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds to be issued by the Issuer in the aggregate principal amount of HK\$3,925,000,000.

Based on the initial Conversion Price of HK\$40.18 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 97,685,415 Shares, representing:

- i. approximately 5.41% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- ii. approximately 5.13% of the issued ordinary share capital of the Company, as enlarged by full conversion of the Bonds.

The Company will apply to the Frankfurt Stock Exchange for the listing of, and permission to deal in, the Bonds. The Company will also apply to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong) and none of the Bonds were placed to any connected persons of the Company. The Bonds were offered by way of debt issue to professional investors only. Completion of the Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” below for further information.

The Bonds and the Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be being offered and sold outside the United States in reliance on Regulation S under the Securities Act.

WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/or the Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

GENERAL MANDATE

The Shares will be allotted and issued pursuant to the General Mandate of the Company granted to the Directors at the annual general meeting held on 27 June 2018 and will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date. As of the date of this announcement, no Shares have been issued under the General Mandate.

GENERAL

To the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, the Lead Managers are not connected with the Company or any of its connected persons.

The Lead Managers have informed the Company that they intend to offer and sell the Bonds to not less than six placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be an independent third party that is not connected with the Company or any of its connected persons.

On 29 August 2018, the Company and the Lead Managers entered into the Subscription Agreement with details as follows:

THE SUBSCRIPTION AGREEMENT

Date: 29 August 2018

Parties: The Company, as the guarantor, China Conch Venture Holdings International Limited, a wholly owned subsidiary of the Company, as the Issuer; and Credit Suisse and J.P. Morgan as the Lead Managers

SUBSCRIPTION

Subject to the fulfilment (and/or waiver) of the conditions set out below under the section headed "Conditions Precedent to Subscription", the Lead Managers severally and not jointly agree to subscribe and pay for, or to procure subscribers to subscribe and pay for, the Bonds in an aggregate principal amount of HK\$3,925,000,000.

Subscribers

The Lead Managers have informed the Company that they intend to offer and sell the Bonds to not less than six placees (who will be independent individual, corporate and/or institutional investors). To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, each of the placees (and their respective ultimate beneficial owners) will be an independent third party that is not connected with the Company or any of its connected persons.

Conditions Precedent to Subscription:

The obligations of the Lead Managers to subscribe and pay for the Bonds are conditional on, among others, the following conditions precedent:

1. the Lead Managers being satisfied with the results of its due diligence investigations with respect to the Issuer, the Guarantor and its respective subsidiaries;
2. the execution and delivery (on or before the Closing Date) of the other Contracts, each in a form reasonably satisfactory to the Lead Managers, by the respective parties;
3. each of Mr. Guo Jingbin and Mr. Ji Qinying would have executed and delivered the Lock-up Letter in the form prescribed in the Subscription Agreement;

4. at the Closing Date:
 - i. the representations and warranties of the Issuer and the Guarantor in the Subscription Agreement being true, accurate and correct at, and as if made on such date;
 - ii. the Issuer and the Guarantor having performed all of its obligations under the Subscription Agreement to be performed on or before such date; and
 - iii. there having been delivered to the Lead Managers a certificate in the form prescribed in the Subscription Agreement, dated as of such date, of a duly authorised officer of the Issuer and the Guarantor to such effect;
5. after the date of the Subscription Agreement or, there shall not have occurred any change (nor any development or event involving a prospective change), in the condition (financial or other), prospects, results of operations or general affairs of the Issuer, the Guarantor or of the Group, which, in the opinion of the Lead Managers, is material and adverse in the context of the issue and Offering of the Bonds;
6. on or prior to the Closing Date there shall have been delivered to the Lead Managers copies of all consents and approvals required in relation to the issue of the Bonds and the performance of the Issuer and the Guarantor's obligations under the Trust Deed, the Agency Agreement and the Bonds (including the consents and approvals required from all lenders);
7. a copy of the NDRC Certificate issued pursuant to the NDRC Circular having been delivered to the Lead Managers prior to the launch date of the Bonds and remaining in full force and effect as at the Closing Date;
8. on the date of the Subscription Agreement, there having been delivered to the Lead Managers a certificate of no default in the form prescribed in the Subscription Agreement dated as of such date, of a duly authorised officer of the Issuer and the Guarantor;
9. the Hong Kong Stock Exchange having agreed to list the Shares and the Frankfurt Stock Exchange having agreed, subject to any conditions reasonably satisfactory to the Lead Managers, to list the Bonds (or, in each case, the Lead Managers reasonably satisfied that such listing will be granted);
10. the execution and delivery on or before the Closing Date by the Issuer, the Guarantor and each Lead Manager of the Fee Letters (as defined in Clause 8 of the Subscription Agreement);
11. on or before the Closing Date, there having been delivered to the Lead Managers opinions, in form and substance satisfactory to the Lead Managers, dated the Closing Date, as the case may be, of:
 - i. legal advisers to the Issuer and the Company as to Cayman Islands and British Virgin Islands law;

- ii. legal advisers to the Company as to PRC law;
- iii. legal advisers to the Lead Managers as to PRC law;
- iv. legal advisers to the Lead Managers and the Trustee as to English law,

and such other resolutions, consents, authorities and documents relating to the issue of the Bonds, as the Lead Managers, may reasonably require.

The Lead Managers may, at their discretion and upon such terms as they think fit, waive compliance with the whole or any part of the conditions precedent (other than condition 2 above).

The above conditions precedent must be satisfied and/or (as the case may be) waived on or prior to the Closing Date. It is the intention of the Company to satisfy or procure the satisfaction of the above conditions precedent to the completion of the Subscription Agreement before the Closing Date.

Termination of the Subscription

The Lead Managers may, by notice to the Issuer and the Company given at any time prior to payment of the gross subscription monies for the Bonds to the Issuer, terminate the Subscription Agreement in any of the following circumstances:

1. if there shall have come to the notice of the Lead Managers any breach of, or any event rendering untrue or incorrect in any respect, any of the warranties and representations contained in the Subscription Agreement or any failure to perform any of the Issuer's or the Guarantor's undertakings or agreements in the Subscription Agreement;
2. if any of the conditions specified in the paragraph headed "Conditions Precedent to Subscription" has not been satisfied or waived by the Lead Managers on or prior to the Closing Date;
3. if, in the opinion of the Lead Managers, there shall have been, since the date of the Subscription Agreement, any change, or any development involving a prospective change, in national or international monetary, financial, political or economic conditions (including any disruption to trading generally, or trading in any securities of the Issuer on any stock exchange or in any over-the-counter market) or currency exchange rates or foreign exchange controls such as would in its view, be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market;
4. if, in the opinion of the Lead Managers, there shall have occurred any of the following events: (i) a suspension or a material limitation in trading in securities generally on the New York Stock Exchange, the London Stock Exchange plc, the Singapore Stock Exchange and/or the Hong Kong Stock Exchange and/or any other stock exchange on which the Issuer's securities are traded; (ii) a suspension or a material limitation in trading in the Issuer's securities on the Hong Kong Stock Exchange and/or any other stock exchange on which the Issuer's securities are traded; (iii) a general moratorium on commercial banking activities in the United States, Singapore, Hong Kong and/or the

United Kingdom declared by the relevant authorities or a material disruption in commercial banking or securities settlement or clearance services in the United States, Hong Kong, Singapore or the United Kingdom; or (iv) a change or development involving a prospective change in taxation affecting the Issuer, the Guarantor, the Bonds, the Guarantee and the New Shares or the transfer thereof; or

5. if, in the opinion of the Lead Managers, there shall have occurred any event or series of events (including the occurrence of any local, national or international outbreak or escalation of disaster, hostility, insurrection, armed conflict, act of terrorism, act of God or epidemic) as would in their view be likely to prejudice materially the success of the Offering and distribution of the Bonds or dealings in the Bonds in the secondary market.

Lock-up Undertaking

Each of Mr. Guo Jingbin and Mr. Ji Qinying, has undertaken with the Lead Managers that each of Mr. Guo Jingbin and Mr. Ji Qinying undertakes not to, and that each of them shall procure that his or their immediately family members or any person acting on his, her or their behalf that such persons will not (a) issue, offer, sell, contract to sell or grant options, issue warrants or offer rights entitling persons to subscribe or purchase any interest in any Shares or securities of the same class as the Bonds or the Shares or any securities convertible into, exchangeable for or which carry rights to subscribe or purchase the Bonds, the Shares or securities of the same class as the Bonds, the Shares or other instruments representing interests in the Bonds, the Shares or other securities of the same class as them, (b) enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of the ownership of the Shares, (c) enter into any transaction with the same economic effect as, or which is designed to, or which may reasonably be expected to result in, or agree to do, any of the foregoing, whether any such transaction of the kind described in (a), (b) or (c) is to be settled by delivery of Shares or other securities, in cash or otherwise or (d) announce or otherwise make public an intention to do any of the foregoing, in any such case without the prior written consent of the Lead Managers between the date of the Subscription Agreement and the date which is 90 days after the Closing Date (both dates inclusive); except for the Bonds and the Shares issued on conversion of the Bonds.

PRINCIPAL TERMS OF THE BONDS

The principal terms of the Bonds are summarized as follows:

Issuer	China Conch Venture Holdings International Limited, a company incorporated with limited liability in the British Virgin Islands, which is a wholly-owned subsidiary of the Company
Guarantor	The Company
Principal Amount	HK\$3,925,000,000
Maturity Date	5 September 2023
Issue Price	100% of the principal amount

Interest	Save for the default interest at the rate of 4% per annum, the Bonds do not bear interest.
Conversion	Subject to certain conditions, the Bondholders have the right to convert their Bonds into Shares at the Conversion Price at any time on and after 16 October 2018 up to the close of business (at the place where the certificate evidencing such Bond is deposited for conversion) on the 10th day prior to the Maturity Date (both days inclusive) (but, except as provided in the Conditions, in no event thereafter) or if such Bond shall have been called for redemption by the Issuer before the Maturity Date, then up to and including the close of business (both days inclusive and at the place aforesaid) on a date no later than 10 days (at the place aforesaid) prior to the date fixed for redemption thereof or if notice requiring redemption has been given by the holder of such Bond pursuant to the Conditions then up to the close of business (at the place aforesaid) on the day prior to the giving of such notice. The number of Shares to be issued on conversion of a Bond will be determined by dividing the principal amount of the Bond to be converted by the Conversion Price in effect at the relevant Conversion Date.
Conversion Price	<p>The price at which Shares will be issued upon conversion shall initially be HK\$40.18 per New Share. The initial Conversion Price of HK\$40.18 represents: (i) a premium of approximately 40.0% over the closing price of HK\$28.7 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day; (ii) a premium of approximately 42.8% over the average closing price of HK\$28.13 per Share as quoted on the Hong Kong Stock Exchange for the five Trading Days up to and including the Last Trading Day; and (iii) a premium of approximately 44.7% over the average closing price of HK\$27.77 per Share as quoted on the Hong Kong Stock Exchange for the ten Trading Days up to and including the Last Trading Day.</p> <p>The Conversion Price is subject to adjustment as follows:</p> <ul style="list-style-type: none"> (a) if there is an alteration to the nominal value of the Shares as a result of consolidation, subdivision, reclassification or redesignation; (b) if the Company issues any Shares credited as fully paid to the Shareholders by way of capitalisation of profits or reserves and which would not constitute a capital distribution;

- (c) in the case of an issue of Shares by way of a scrip dividend where the aggregate Current Market Price of such Shares exceeds the amount of the relevant cash dividend (or relevant part thereof) and which would not have constituted a capital distribution;
- (d) if and whenever the Company pays or makes any capital distribution to the Shareholders (except otherwise subject to other adjustment events);
- (e) if and whenever the Company issues Shares by way of rights, or issues or grants rights, options, warrants or other rights to acquire Shares to all or substantially all Shareholders at less the Current Market Price per Share;
- (f) if the Company issues any securities (other than Shares or options, warrants or other rights to subscribe, purchase or otherwise acquire any Shares) by way of rights or issues or grants by way of rights, options, warrants or other rights to subscribe for, purchase or otherwise acquire any securities to all or substantially all Shareholders as a class;
- (g) if and whenever the Company issues any Shares or grants any options to subscribe for Shares at a price which is less than the Current Market Price (except otherwise subject to other adjustment events);
- (h) if the Company or any of its subsidiaries or any other person (at the direction or request of or pursuant to any arrangements with the Company or any of its subsidiaries) issues any securities (other than the Bonds) convertible into Shares at a consideration per Share which is less than the Current Market Price;
- (i) if and whenever any of the rights of conversion, exchange or subscription attaching to any such securities referred to in (h) immediately above is modified so that the consideration per Share (for the number of Shares available on conversion, exchange or subscription following the modification) is reduced and is less than the Current Market Price;
- (j) if and whenever the Company or any of its subsidiaries or any other person (at the direction or request of the Company or any of its subsidiaries) issues, sells or distributes any securities in connection with any offer pursuant to which the Shareholders are generally entitled to acquire such securities (except otherwise subject to other adjustment events); or

(k) if the Company otherwise determines that an adjustment should be made to the Conversion Price. The Conversion Price may not be reduced so that, on conversion of the Bonds, Shares would fall to be issued at a discount to their par value.

Conversion after an
Equity Distribution

After an Equity Distribution occurs, no adjustment to the Conversion Price shall occur and a Bondholder will be entitled to receive both the Shares of the Company and the Equity Distribution Securities upon conversion of the Bonds. Bondholders may only exercise their Conversion Right in respect of both the Shares of the Company and the Equity Distribution Securities jointly and may not exercise such rights individually.

Adjustment upon Change
of Control

If a Change of Control shall occur, the Issuer shall give notice of that fact to the Bondholders within seven days after it becomes aware of such Change of Control. Following the giving of such notice, upon any exercise of conversion rights such that the relevant Conversion Date falls within 30 days following a Change of Control, or, if later, 30 days following the date on which the notice of the Change of Control is given to the Bondholders, the Conversion Price shall be adjusted downwards.

Ranking of Shares

The Shares will be fully paid and will in all respects rank *pari passu* with the Shares in issue on the date the name of the holder of record of the number of Shares issuable upon conversion are registered as such in the register of members of the Company.

Redemption at Maturity

Unless previously redeemed, converted or purchased and cancelled, the Issuer will redeem each Bond at 114.63% of its principal amount on the Maturity Date. The Company may not redeem the Bonds at its option prior to that date except as provided below.

Redemption at the option of the Company	The Issuer may, having given not less than 30 nor more than 90 days' notice to the Bondholders, redeem the Bonds in whole but not in part at the Early Redemption Amount as at the date fixed for redemption: (i) at any time after 5 September 2020 but prior to the Maturity Date, provided that the aggregate Closing Price of each of the Shares of the Guarantor and (if applicable) the Equity Distribution Securities, for any 20 out of 30 consecutive Trading Days, the last of such Trading Day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Trading Days, is at least 130 per cent. of the applicable Early Redemption Amount divided by the Conversion Ratio then in effect; or (ii) at any time if, prior to the date upon which notice of such redemption is given, at least 90% in principal amount of the Bonds originally issued has already been converted, redeemed or purchased and cancelled.
Redemption for taxation reasons	At any time the Issuer may, having given not less than 30 nor more than 60 days' notice to the Bondholders, redeem the Bonds in whole but not in part at the Early Redemption Amount as at the date fixed for redemption, if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) the Issuer (or if the Guarantee was called, the Guarantor) has or will become obliged to pay additional tax as a result of any change in, or amendment to, the laws or regulations of the PRC, the Cayman Islands, the British Virgin Islands or Hong Kong, or any political subdivision or any authority thereof or therein having power to tax, or any change in the general application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 29 August 2018, and (ii) such obligation cannot be avoided by the Company taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Company would be obliged to pay such additional tax were a payment in respect of the Bonds then due. If the Company gives a notice of redemption for taxation reasons, each Bondholder will have the right to elect that his or her Bond(s) shall not be redeemed.
Redemption for Relevant Event	Each Bondholder shall have the right to require the Issuer to redeem all but not some only of such Bondholder's Bonds at the Early Redemption Amount as at the relevant redemption date when (i) the Shares cease to be listed or admitted to trading or are suspended from trading for a period equal to or exceeding 60 consecutive Trading Days on a relevant stock exchange, (ii) there is a Change of Control or (iii) there is a Guarantor Sale or Transfer Event.

Redemption at the option of the Bondholders	The Company will, at the option of the holder of any Bond, redeem all or some of that holder's Bonds on 5 September 2020 at 105.61 per cent. of the principal amount of each Bond as at such date.
Transferability	The Bonds will be freely transferable, subject to certain restricted transfer periods.
Form and Denomination	The Bonds are issued in registered form in the denomination of HK\$2,000,000 each and integral multiples of HK\$1,000,000 in excess thereof. Upon issue, the Bonds will be initially represented by a global certificate representing Bonds registered in the name of a nominee of, and deposited with, a common depository for Euroclear Bank SA/NV and Clearstream Banking, S.A.
Status	<p>The Bonds constitute direct, unsubordinated, unconditional and (subject to the negative pledge) unsecured obligations of the Issuer and shall at all times rank <i>pari passu</i> and without any preference or priority among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by mandatory provisions of applicable law and subject to the negative pledge, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.</p> <p>The Guarantor shall unconditionally and irrevocably guarantee the due and punctual payment of all sums payable by the Issuer under the Trust deed to be entered into and the Bonds and the performance of all its other obligations under the Trust deed and the Bonds. The obligations of the Guarantor under the Guarantee shall constitute direct, general, unconditional, unsubordinated and unsecured obligations of the Guarantor and shall, save for any obligation preferred by any applicable law, at all times rank at least equally with all of its other present and future senior, unsecured and unsubordinated obligations.</p>

Negative Pledge	So long as any Bond remains outstanding, each of the Issuer and the Company will not, and will ensure that none of its principal subsidiaries will, create or have outstanding, any Encumbrance upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or to secure any guarantee or indemnity in respect of any Relevant Indebtedness unless, at the same time or prior thereto, the Issuer and the Company's obligations under the Bonds are secured equally and rateably (a) by the same Encumbrance or (b) at the option of the Issuer, by such other security, guarantee, indemnity or other arrangement as either (x) the Trustee shall in its absolute discretion deem not materially less beneficial to the interests of the Bondholders or (y) shall be approved by an extraordinary resolution of the Bondholders.
Listing	An application will be made to the Frankfurt Stock Exchange for the listing of, and permission to deal in, the Bonds on the Frankfurt Stock Exchange, and an application will be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares on the Hong Kong Stock Exchange.

COMPARISON OF CONVERSION PRICE

The initial Conversion Price of HK\$40.18 per Share was determined after arm's length negotiations between the Company and the Lead Managers with reference to the closing price of the Shares quoted on the Hong Kong Stock Exchange on the Last Trading Day, representing:

- (i) a premium of approximately 40.0% over the closing price of HK\$28.70 per Share as quoted on the Hong Kong Stock Exchange on the Last Trading Day;
- (ii) a premium of approximately 42.8% over the average closing price of HK\$28.13 per Share for the last five consecutive trading days up to and including the Last Trading Day; and
- (iii) a premium of approximately 44.7% over the average closing price of HK\$27.77 per Share for the last ten consecutive trading days up to and including the Last Trading Day.

CONVERSION SHARES

Based on the initial Conversion Price of HK\$40.18 and assuming full conversion of the Bonds at the initial Conversion Price, the Bonds will be convertible into 97,685,415 Shares, representing:

- (i) approximately 5.41% of the existing issued ordinary share capital of the Company as at the date of this announcement; and
- (ii) approximately 5.13% of the issued ordinary share capital of the Company, as enlarged by full conversion of the Bonds.

EFFECT ON THE SHARE CAPITAL OF THE COMPANY AS A RESULT OF THE CONVERSION

The following table illustrates, so far as is known to the Directors, the existing shareholding structure as at the date of this announcement and the shareholding structure assuming the Bonds are fully converted into 97,685,415 Shares at the initial Conversion Price of each (without taking into account the effect of the stock lending arrangement below); on the assumptions that (a) there will be no other change to the shareholding structure of the Company from the date of this announcement until the completion of the conversion of the Bonds in full, save for the issue of the Shares as a result of the conversion of the Bonds in full (as the case may be), and (b) the Bondholders do not and will not hold any Shares other than the Shares as a result of the conversion of the Bonds. The Shares to be issued upon conversion of the Bonds will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

	As at the date of this announcement		Assuming the Bonds are fully converted into Shares at the initial Conversion Price of HK\$40.18 each (assuming there is no change in the total number of issued Shares or in the number of Shares held by the Directors and other connected persons of the Company except for the Bonds proposed to be issued as disclosed in this announcement)	
	Number of issued Shares	% of issued share capital of the Company	Number of issued Shares	% of enlarged share capital of the Company
Shareholder				
The Staff Association of Anhui Conch Holdings Company Limited ⁽¹⁾	145,696,000	8.07%	145,696,000	7.66%
Mr. Guo Jingbin ⁽²⁾	62,680,000	3.47%	62,680,000	3.29%
Mr. Ji Qinying ⁽³⁾	35,033,752	1.94%	35,033,752	1.84%
Mr. Li Jian ⁽⁴⁾	7,501,716	0.42%	7,501,716	0.39%
Mr. Li Daming	6,112,563	0.34%	6,112,563	0.32%
Public Shareholders:				
Bondholders	—	0.00%	97,685,415	5.13%
Other public Shareholders	1,547,725,969	85.76%	1,547,725,969	81.35%
Total	1,804,750,000	100%	1,902,435,415	100%

Notes:

- (1) The Staff Association of Anhui Conch Holdings Company Limited is taken to be interested in (i) the 125,486,000 shares held by Anhui Conch Venture Investment Co., Ltd., which is held as to 82.93% by the Staff Association of Anhui Conch Holdings Company Limited, and (ii) the 20,210,000 shares held by Shanghai Yijiang Investment Co., Ltd., a wholly-owned subsidiary of Anhui Conch Venture Investment Co., Ltd.
- (2) These shares are owned by Splendor Court Holdings Limited, which is solely owned by Mr. Guo Jingbin.
- (3) Mr. Ji Qinying is taken to be interested in the 105,346 shares held by his spouse, Ms. Yan Zi.
- (4) Mr. Li Jian is taken to be interested in the shares held by his spouse, Ms. Wang Zhenying.

INFORMATION OF THE GROUP

The principal activities of the Group are investment holding and provision of energy preservation and environmental protection solutions.

REASONS FOR AND BENEFITS OF THE BOND ISSUE

The Directors are of the view that the raising of funds by the issuance of the Bonds is justifiable considering the recent market conditions which represent an opportunity for the Company to enhance its working capital and strengthen its capital base and financial position.

The Directors consider that the terms and conditions of the Subscription Agreement and the Bonds are fair and reasonable, on normal commercial terms and are in the interests of the Company and the Shareholders as a whole.

GENERAL MANDATE

By a resolution of the Shareholders passed at the annual general meeting held on 27 June 2018, the Company granted the General Mandate to the Directors to allot, issue and deal with up to 20% of the total number of issued shares of the Company, being 360,950,000 Shares. The Shares will be issued under the General Mandate. At the date of this announcement, no Shares have been issued under the General Mandate. The Shares will be allotted and issued pursuant to the General Mandate and will rank *pari passu* in all respects with the Shares then in issue on the relevant Conversion Date.

FUND RAISING ACTIVITIES BY THE COMPANY IN THE LAST 12 MONTHS

Save as the proposed issue of Bonds disclosed in this announcement, the Company did not engage in any fund raising activities in the last 12 months.

GENERAL

Application will be made to the Frankfurt Stock Exchange for the listing of, and permission to deal in, the Bonds. An application will also be made to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the Shares.

The Bonds and the Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be offered and sold outside the United States in reliance on Regulation S under the Securities Act.

None of the Bonds will be offered to the public in Hong Kong.

The Bonds have not been offered or sold and may not be offered or sold in Hong Kong to the public within the meaning of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong and none of the Bonds were placed to any connected persons of the Company). The Bonds were offered by way of debt issue to professional investors only. Completion of the Subscription Agreement is subject to the satisfaction and/or waiver (as the case may be) of the conditions precedent therein. In addition, the Subscription Agreement may be terminated in certain circumstances. Please refer to the section headed “The Subscription Agreement” above for further information.

The Bonds and the Shares have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds will only be offered and sold outside the United States in reliance on Regulation S under the Securities Act.

WARNING: As the Subscription Agreement may or may not complete, and the Bonds and/or the Shares may or may not be issued or listed, Shareholders and potential investors are advised to exercise caution when dealing in the Shares.

DEFINITIONS

In this announcement, the following expressions have the meanings set out below unless the context otherwise requires:

“Agency Agreement”	the paying, conversion and transfer agency agreement to be entered into between the Company, the Trustee and the agents named therein;
“Alternative Stock Exchange”	at any time, in the case of the Shares, if they are not at that time listed and traded on the Hong Kong Stock Exchange, the principal stock exchange or securities market on which the Shares are then listed or quoted or dealt in;
“Board”	the board of Directors;
“Bondholder(s)”	the person(s) in whose name a Bond is registered;
“Bonds”	zero coupon guaranteed convertible bonds due 2023 in an aggregate principal amount of HK\$3,925,000,000;
“business day”	for the purpose of the Subscription Agreement, means a day on which banks are open for business in London, New York City and Hong Kong;

“Change of Control”	occurs in when: (i) any Person or Persons acting together acquires Control of the Relevant Person if such Person or Persons does not or do not have, and would not be deemed to have, Control of the Relevant Person on the Closing Date; (ii) the Relevant Person consolidates with or merges into or sells or transfers all or substantially all of the assets of the Relevant Person to any other Person, unless the consolidation, merger, sale or transfer will not result in the other Person or Persons acquiring Control over the Relevant Person or the successor entity; (iii) one or more Persons (other than any Person referred to in sub-paragraph (i) of this definition) acquires the legal or beneficial ownership of all or substantially all of the issued share capital of the Relevant Person; or (iv) the Company ceases to directly or indirectly hold or own 100% of the issued capital of the Issuer;
“Closing Date”	5 September 2018;
“Company” or “Guarantor”	China Conch Venture Holdings Limited, a company incorporated in the Cayman Islands with limited liability, the issued Shares of which are listed on the Main Board of the Hong Kong Stock Exchange (Stock Code: 586);
“Completion”	the completion of the issue and subscription of the Bonds under the Subscription Agreement;
“Conditions”	the terms and conditions of the Bonds;
“connected person(s)”	has the meaning ascribed to it under the Listing Rules;
“Contracts”	the Subscription Agreement, the Agency Agreement and the Trust Deed;
“Control”	means the acquisition or control of more than 50% of the voting rights of the issued share capital of the Company or the right to appoint and/or remove all or the majority of the members of the Company’s board of directors or other governing body, whether obtained directly or indirectly, and whether obtained by ownership of share capital, the possession of voting rights, contract or otherwise;
“Conversion Date”	the conversion date in respect of the Bonds;
“Conversion Price”	the price per Share at which the Shares will be issued upon conversion of the Bonds, with the initial conversion price being HK\$40.1800 per New Share (subject to adjustments);

“Conversion Ratio”	the principal amount of each Bond divided by the Conversion Price then in effect immediately prior to the date upon which an optional redemption notice is given;
“Credit Suisse”	Credit Suisse (Hong Kong) Limited;
“Current Market Price”	in respect of a Share on a particular date, the arithmetic average of the closing price for one Share (being a Share carrying a full entitlement to dividends) for the ten consecutive Trading Days ending on the Trading Day immediately preceding such date;
“Directors”	the directors of the Company;
“Early Redemption Amount”	in respect of a Bond, for each HK\$2,000,000 principal amount, the amount determined to represent for the Bondholder on the relevant date a gross yield of 2.75% per annum calculated on a semi-annual basis;
“Encumbrance”	a mortgage, charge, pledge, lien or other encumbrance or security interest securing any obligation of any person or any other arrangement with similar economic effect;
“Equity Distribution”	a distribution of Equity Distribution Securities by the Company to the holders of the Shares in relation to a Guarantor Sale or Transfer Event;
“Equity Distribution Securities”	Equity Share Capital of an entity other than the Company or options, warrants or other rights to subscribe for or purchase Equity Share Capital of an entity other than the Company;
“Equity Share Capital”	in relation to any entity, its issued share capital (or equivalent) excluding any part of that capital (or equivalent) which, neither as respect dividends nor as respect capital, carries any right to participate beyond a specific amount in a distribution;
“General Mandate”	the general mandate of the Company granted to the Directors at the annual general meeting held on 27 June 2018, which granted the general mandate to the Directors to allot, issue and deal with up to 20% of the total number of issued shares of the Company;
“Group”	the Company and its subsidiaries;
“Guarantee”	the guarantee granted by the Guarantor pursuant to the Trust Deed;

“Guarantor Sale or Transfer Event”	when the Guarantor sells or transfers (or announces an intention to sell or transfer) all or a material part of its assets, business or operations to any third party and/or its shareholders in connection with a listing of such assets, business or operations on a reputable stock exchange, including the Hong Kong Stock Exchange;
“HK\$”	Hong Kong dollar(s), the lawful currency of Hong Kong;
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC;
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited;
“Initial Conversion Shares”	the number of Shares into which the aggregate number of Bonds issued by the Company on the Closing Date may be converted based on the initial conversion price of HK\$40.1800 per Share;
“Issue Date”	5 September 2018;
“Issuer”	China Conch Venture Holdings International Limited, a company incorporated with limited liability in the British Virgin Islands, which is a wholly-owned subsidiary of the Company;
“J.P. Morgan”	J.P. Morgan Securities plc;
“Last Trading Day”	29 August 2018, being the last full Trading Day immediately before the time at which the Subscription Agreement was signed;
“Lead Managers”	collectively, Credit Suisse, J.P. Morgan;
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited;
“Maturity Day”	5 September 2023;
“Person”	includes any individual, company, corporation, firm, partnership, joint venture, undertaking, association, organization, trust, state or agency of a state (in each case whether or not being a separate legal entity) but does not include (i) the members of the Board or any other governing board of the Company or (ii) the Company’s direct or indirect Subsidiaries;
“PRC”	the People’s Republic of China;

“Relevant Indebtedness”	any future or present indebtedness which is in the form of, or represented by debentures, loan stock, bonds, notes, bearer participation certificates, depositary receipts, certificates of deposit or other similar securities or instruments or by bills of exchange drawn or accepted for the purpose of raising money which are, or are capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over the counter or on any other securities market (whether or not initially distributed by way of private placement);
“Relevant Person”	the Issuer or the Company;
“Securities Act”	the US Securities Act of 1933, as amended;
“Shareholder(s)”	the holder(s) of the Shares;
“Shares”	initially the ordinary shares of par value HK\$0.01 each of the Company or shares of any class or classes resulting from any subdivision, consolidation or re-classification of those shares, which as between themselves have no preference in respect of dividends or of amounts payable in the event of any voluntary or involuntary liquidation or dissolution of the Company as adjusted under the Conditions;
“Subscription Agreement”	the subscription agreement entered into between the Company, the Issuer and the Lead Managers dated 29 August 2018 in respect of the issue of the Bonds;
“Subsidiary(ies)”	(a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the Cayman Islands, the British Virgin Islands or Hong Kong laws, regulations or generally accepted accounting principles from time to time, should have its accounts consolidated with those of that person;
“Trading Day”	a day when the Hong Kong Stock Exchange or, as the case may be an Alternative Stock Exchange is open for dealing business, provided that if no closing price is reported for one or more consecutive dealing days such day or days will be disregarded in any relevant calculation and shall be deemed not to have been dealing days when ascertaining any period of dealing days;

“Trust Deed”	the trust deed to be entered into between the Company and the Trustee;
“Trustee”	Citicorp International Limited, the trustee to be appointed in relation to the Bonds;
“US” or “United States”	the United States of America;
“Voting rights”	the right generally to vote at a general meeting of shareholders of a specified person; and
“%”	per cent

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

Anhui Province, the People’s Republic of China

30 August 2018

As at the date of this announcement, the Board comprises

- (i) Messrs. GUO Jingbin (Chairman), JI Qinying (Chief Executive Officer), LI Jian and LI Daming as executive Directors; and*
- (ii) Messrs. CHAN Chi On (alias Derek CHAN), CHAN Kai Wing and LAU Chi Wah, Alex as independent non-executive Directors.*

** Translation or transliteration for identification purpose only*