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If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult a stockbroker or other registered dealer in securities, a bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in **China Conch Environment Protection Holdings Limited**, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or transferee or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

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CONCH VENTURE
海螺环保
China Conch Environment Protection Holdings Limited
中國海螺環保控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock code: 587)

CONTINUING CONNECTED TRANSACTIONS
AND
NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

Independent Financial Adviser to
the Independent Board Committee and the Independent Shareholders



The notice convening the first extraordinary general meeting of 2023 (the “EGM”) of China Conch Environment Protection Holdings Limited (the “Company”) to be held at Meeting Room 585, Conch International Conference Centre, No. 1011 South Jiuhua Road, Yijiang District, Wuhu City, Anhui Province, the People’s Republic of China on Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time) is set out on pages 64 to 66 to this circular.

Whether or not you are able to attend the EGM, please complete and sign the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon and return it to the Company’s Branch Share Registrar in Hong Kong (the “Branch Share Registrar”), Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen’s Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or the adjourned meeting thereof. Accordingly, this form of proxy must be delivered to the Branch Share Registrar no later than Monday, 6 March 2023 at 10:00 a.m. (Hong Kong time). Completion and return of the form of proxy will not preclude shareholders from attending and voting in person at the EGM if they so wish.

This circular together with the form of proxy are also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.conchenviro.com).

16 February 2023

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DEFINITIONS

In this circular, unless the context otherwise requires, the following expressions shall have the following meanings:

“2022 Cement Kiln Co-treatment Framework Agreement”	the cement kiln co-treatment framework agreement entered into on 25 May 2022 between the Company (on behalf of the Group) and Conch Cement (on behalf of Conch Cement and its subsidiaries and associates) in relation to, among other things, the cooperation in the cement kiln co-treatment projects
“2023 Engineering Design Services Framework Agreement”	the engineering design services framework agreement entered into on 9 December 2022 between the Company (on behalf of the Group) and Conch Design Institute in relation to, among other things, the procurement of engineering design services and/or technology modification services for the industrial solid and hazardous waste treatment projects
“2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement”	the industrial solid and hazardous waste treatment framework agreement entered into on 9 December 2022 between the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) in relation to, among other things, the cooperation in the industrial solid and hazardous waste treatment projects
“2023 Information System Procurement Framework Agreement”	the information system procurement framework agreement entered into on 9 December 2022 between the Company (on behalf of the Group) and Conch IT Engineering in relation to, among other things, the procurement of information technology systems for the industrial solid and hazardous waste treatment projects
“Acting in Concert”	has the meaning ascribed to it under the Takeover Code
“Articles of Association”	the articles of association of the Company currently in force
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	China Conch Environment Protection Holdings Limited (中國海螺環保控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange with stock code 587

DEFINITIONS

“Conch Cement”	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a joint stock company established in the PRC with limited liability whose shares are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Stock Exchange (stock code: 914) and the controlling shareholder of the Company
“Conch Cement Group”	Conch Cement, its subsidiaries and associates, excluding Conch Design Institute and Conch IT Engineering
“Conch Design Institute”	Anhui Conch Building Materials Design and Research Institute Co., Ltd. (安徽海螺建材設計研究院有限責任公司), a limited liability company incorporated on 10 August 1998 in the PRC, a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement
“Conch Holdings”	Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司), a limited liability company incorporated on 7 November 1996 in the PRC and the holding company of Conch Cement
“Conch IT Engineering”	Anhui Conch Information Technology Engineering Co., Ltd. (安徽海螺信息技術工程有限責任公司), a limited liability company incorporated on 12 June 2008 in the PRC, a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“EGM”	the first extraordinary general meeting of 2023 of the Company to be held at Meeting Room 585, Conch International Conference Centre, No. 1011 South Jiu Hua Road, Yijiang District, Wuhu City, Anhui Province, the People’s Republic of China on Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time), to consider and, if appropriate, to approve the resolutions contained in the notice of the meeting which is set out on pages 64 to 66 of this circular, or any adjournment thereof
“Group”	the Company and its subsidiaries
“holding company”	has the meaning ascribed to it under the Listing Rules
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC

DEFINITIONS

“Independent Board Committee”	the independent committee of the Board, comprising Mr. Hao Jiming (郝吉明), Mr. Dai Xiaohu (戴曉虎) and Ms. Wang Jiafen (王嘉奮), being all the independent non-executive Directors, established for the purpose of, among other things, advising the Independent Shareholders in respect of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ending 31 December 2025)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ending 31 December 2025)
“Independent Shareholders”	in respect of the resolutions related to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ending 31 December 2025), excludes Shareholders other than Conch Cement, together with its subsidiaries and its Parties Acting in Concert
“Independent Third Parties”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“Latest Practicable Date”	10 February 2023, being the latest practicable date prior to the printing of this circular for ascertaining certain information in this circular
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time

DEFINITIONS

“Model Code”	the Model Code for Securities Transactions by Directors of the Listed Issuers as set out in Appendix 10 to the Listing Rules
“Parties Acting in Concert”	the parties acting in concert under the Takeover Code of Conch Cement, namely Ren Yong (任勇), Qi Shengli (齊生立), Li Qunfeng (李群峰), Li Xiaobo (李曉波), Zhou Xiaochuan (周小川), Guo Dan (郭丹), Yan Zi (晏滋), Ji Xian (紀憲), Ma Wei (馬偉) and Wang Jingqian (王敬謙)
“PRC” or “China”	the People’s Republic of China (for the purpose of this circular excluding Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan)
“RMB”	the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) with a par value of HK\$0.01 each in the share capital of the Company
“Shareholder(s)”	holder(s) of Share(s)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeover Code”	the Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission in Hong Kong, as amended, supplemented or otherwise modified from time to time
“%”	percent

CONCH VENTURE

海螺环保

China Conch Environment Protection Holdings Limited

中國海螺環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 587)

Executive Directors:

Mr. LI Xiaobo
Ms. LIAO Dan
Mr. FAN Zhan

Non-executive Directors:

Mr. LI Qunfeng
Mr. XIAO Jiayang
Mr. MA Wei

Independent Non-executive Directors:

Mr. HAO Jiming
Mr. DAI Xiaohu
Ms. WANG Jiafen

Registered Office:

Campbells Corporate Services Limited
Floor 4, Willow House, Cricket Square
Grand Cayman, KY1-9010
Cayman Islands

Head Office and Principal Place of

Business in the PRC:

Wuhu Conch International Conference Center
No. 1005, South Jiuhua Road
Yijiang District
Wuhu City, Anhui Province
PRC

Principal Place of Business in Hong Kong:

5/F, Manulife Place
348 Kwun Tong Road
Kowloon
Hong Kong

16 February 2023

To the Shareholders

Dear Sir/Madam,

**CONTINUING CONNECTED TRANSACTIONS
AND**

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

1. INTRODUCTION

The purpose of this circular is to give you the notice of the EGM and the proposal to be put forward at the EGM: the renewal of the continuing connected transactions contemplated under the 2022 Cement Kiln Co-treatment Framework Agreement.

LETTER FROM THE BOARD

2. RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 11 December 2022, among others, in relation to the renewal of the 2022 Cement Kiln Co-treatment Framework Agreement. For further details of the 2022 Cement Kiln Co-treatment Framework Agreement, please see the announcement of the Company dated 25 May 2022. The 2022 Cement Kiln Co-treatment Framework Agreement shall expire on 31 December 2022. The Group intends to continue carrying out the transactions under the 2022 Cement Kiln Co-treatment Framework Agreement in the ordinary and usual course of business of the Group. Due to commercial arrangement considerations, for the purpose of renewal, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement in relation to, among other things, the cooperation in the industrial solid and hazardous waste treatment projects; the Company (on behalf of the Group) and Conch Design Institute agreed to enter into the 2023 Engineering Design Services Framework Agreement in relation to, among other things, the procurement of engineering design services and/or technology modification services for the industrial solid and hazardous waste treatment projects; and the Company (on behalf of the Group) and Conch IT Engineering agreed to enter into the 2023 Information System Procurement Framework Agreement in relation to, among other things, the procurement of information technology systems for the industrial solid and hazardous waste treatment projects.

2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

The principal terms of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement are set out as follows:

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group); and (2) Conch Cement (on behalf of the Conch Cement Group)
Term:	From the date of the Independent Shareholders' approval to 31 December 2025
Subject matter:	The Conch Cement Group agreed to provide industrial solid and hazardous waste treatment services and ancillary products and services to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, technical modification service, as well as labor protection appliance and etc. The precise scope of service and products, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.

LETTER FROM THE BOARD

Payment and settlement terms:

Payment and settlement terms under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement shall be specified in each of the project implementation agreements to be entered into thereunder in due course.

Pricing Policy

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) the amount and type of industrial solid and hazardous waste treated by the cement kiln, resulting in cost variations in respect of the fuel, water and electricity, etc. consumed, and (ii) the prevailing market prices of cost for instance the electricity price (government guidance price) and coal price, in the geographical area where the project is located. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the profit rate was generally ranging from 10% to 15%. The Group will commission an independent agency to audit the cost and will review the profit rate, and the Group will also endeavour to follow up the charging standards of cement kiln co-treatment projects of peer companies in the industry to ensure that the service fees payable are fair and reasonable.

With respect to the service fees payable for the technical modification service, the service fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the scale, investment amount, and complication of the project; (ii) the technical indicators and scope of technical modification; and (iii) the prevailing market prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, which will be obtained from the Group through regular quotation with not less than two Independent Third Parties.

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the specification, model, unit price type and quality of such products; (ii) the operational costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, which will be obtained from the Group through regular quotation with not less than two Independent Third Parties.

LETTER FROM THE BOARD

Historical Amounts

The historical amounts of the fees paid by the Group to the Conch Cement Group in respect of the comprehensive industrial solid and hazardous waste treatment services and ancillary products and services for the two years ended 31 December 2021 and the eleven months ended 30 November 2022 are set out as follows:

	For the year ended		For the eleven
	31 December		months ended
	2020	2021	30 November
	<i>(RMB in</i>	<i>(RMB in</i>	<i>2022</i>
	<i>millions)</i>	<i>millions)</i>	<i>(RMB in</i>
			<i>millions)</i>
Fees incurred in relation to comprehensive industrial solid and hazardous waste treatment and ancillary products and services provided by the Conch Cement Group to the Group	57.8	78.2	61.1

The utilization rate of the annual cap for year ended 31 December 2022 is approximately 58%, calculated by the historical amount for the period from 4 April 2022 to 30 November 2022 divided by the annual cap for year ended 31 December 2022, i.e., for the period from 4 April 2022, the date on which Conch Cement became the connected person of the Company, to 31 December 2022.

Annual Cap and Basis of Determination

The proposed annual caps for the fees to be incurred in relation to comprehensive industrial solid and hazardous waste treatment and ancillary products and services under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement for the three years ending 31 December 2025 are set out as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB in</i>	<i>(RMB in</i>	<i>(RMB in</i>
	<i>millions)</i>	<i>millions)</i>	<i>millions)</i>
Fees payable by the Group in relation to comprehensive industrial solid and hazardous waste treatment services and ancillary products and services provided by the Conch Cement Group	135	150	159

LETTER FROM THE BOARD

The above proposed annual caps for the three years ending 31 December 2025 were determined taking into account of the following three factors:

- (i) The annual cap on the service fee payable for cement kiln co-treatment shall be the sum of item a and item b below:
 - a. the quantity of solid waste to be treated by the Group in cooperation with the Conch Cement Group x the estimated cost rate x (100% + profit margin)
 - b. the quantity of hazardous waste to be treated by the Group in cooperation with the Conch Cement Group x the estimated cost rate x (100% + profit margin)

The estimated cost rates will refer to historical costs for the two years ended 31 December 2021 and the eleven months ended 30 November 2022. The profit margin are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the profit rate was generally ranging from 10% to 15%.

- (ii) The formula for calculating the annual cap for the cement kiln ancillary products and services is as follows:

The estimated quantity of products to be purchased by the Group from Conch Cement Group x Unit price of products

The quantity of products expected to be purchased will refer to the past quantities for the two years ended 31 December 2021 and the eleven months ended 30 November 2022.

- (iii) Based on the cooperation with the Conch Cement Group and the business development trend of the Group, the Group expects that with the development of business, the volume of industrial solid and hazardous waste treatment will gradually increase in 2023, 2024 and 2025, resulting in an annual increase in the fees payable by the Group for comprehensive industrial solid and hazardous waste treatment services and ancillary products and services.

Reasons and Benefits for entering into the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement

Conch Cement has well-established existing cement kiln systems and possesses abundant cement production capacity. By leveraging the production capacity and waste heat of Conch Cement from the cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste reliably and cost-effectively by utilizing their existing cement kiln facilities and equipment through cement kiln co-treatment business cooperation. Such a cooperation business model has been encouraged by a series of favorable policies promulgated by PRC governments and is in line with the general market practice in the environmental protection industry.

LETTER FROM THE BOARD

2023 Engineering Design Services Framework Agreement

Principal terms of the 2023 Engineering Design Services Framework Agreement are set out as follows:

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group); and (2) Conch Design Institute
Term:	From the date of the Independent Shareholders' approval to 31 December 2025
Subject matter:	Conch Design Institute agreed to provide engineering design services and/or technology modification services for industrial solid and hazardous treatment projects, which primarily includes designing the facilities for industrial waste treatment systems and developing technology modification for further demands upon existing cement kiln co-treatment systems. The precise scope of services, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.
Payment and settlement terms:	Payment and settlement terms under the 2023 Engineering Design Services Framework Agreement shall be specified in each of the implementation agreements to be entered into thereunder in due course.

Pricing Policy

The service fees payable by the Group shall be determined after arm's length negotiations with reference to the Engineering Survey Design Fee Standards (2002 Revised Version) (《工程勘察設計收費標準》(2002年修訂本)), jointly promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會)) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部, previously known as Ministry of Construction of the PRC (中華人民共和國建設部)), and Interim Provisions on Consulting Charges for Preliminary Work of Construction Projects (Ji Jia Ge [1999] No. 1283) (《建設項目前期工作諮詢收費暫行規定》(計價格[1999]1283號)) promulgated by National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as National Planning Commission of the PRC (中華人民共和國國家計劃委員會)), as well as the project scale, investment amount, scope of

LETTER FROM THE BOARD

design, complication of the project, technology indicators, and the prevailing market rates and prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, i.e. the Group will seek quotations from not less than two independent suppliers for similar services for each project.

Historical Amounts

The historical amounts of the fees paid by the Group to Conch Design Institute in respect of the engineering design services and/or technology modification services for the two years ended 31 December 2021 and the eleven months ended 30 November 2022 are set out as follows:

	For the year ended 31 December		For the eleven months ended 30 November
	2020	2021	2022
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fees incurred in relation to the engineering design services and/or technology modification services provided by Conch Design Institute to the Group	6.9	6.4	6.2

Annual Cap and Basis of Determination

The proposed annual caps for the fees to be incurred in relation to the engineering design services and/or technology modification services under the 2023 Engineering Design Services Framework Agreement for the three years ending 31 December 2025 are set out as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fees payable by the Group in relation to the engineering design services and/or technology modification services provided by Conch Design Institute to the Group	19	16	15

The above proposed annual caps for the three years ending 31 December 2025 were determined taking into account (i) the anticipated scale of projects under construction or to be launched by the Group and (ii) the number of projects for which the Group has

LETTER FROM THE BOARD

engaged Conch Design Institute to provide engineering design services and/or technology modification services. To further elaborate, the proposed annual cap as of 31 December 2023 was calculated taking into account of the engineering designing fee for the eight new projects to be launched in 2023 plus the estimated fee payable to Conch Design in 2023 under the contracts entered into between the Group and Conch Design in 2022. The Group expects that the trend of cooperation with Conch Design Institute will continue in 2024 and 2025.

Reasons and Benefits for entering into 2023 Engineering Design Services Framework Agreement

Conch Design Institute has extensive experience in building materials industry design and cement technology development and possesses Grade A qualification in the relevant industry. It is relatively familiar with the general factory layout, structures and set-up of the Group and had previously undertaken the design of most of the Group's environmental protection projects. Certain industrial solid and hazardous waste treatment of the Group designed or modified by Conch Design Institute have been successfully put into operation. The Company believes that commissioning Conch Design Institute to undertake the engineering design or technology modification of certain industrial waste treatment projects of the Company is conducive to the coordination and implementation of the projects and hence ensure that the progress and quality of the projects will be under control.

2023 Information System Procurement Framework Agreement

Principal terms of the 2023 Information System Procurement Framework Agreement are set out as follows:

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group); and (2) Conch IT Engineering
Term:	From the date of the Independent Shareholders' approval to 31 December 2025
Subject matter:	Conch IT Engineering agreed to provide certain information technology systems to the Group for certain industrial solid and hazardous waste treatment projects, which primarily includes providing DCS (i.e. distributed control system) central control system and security early warning system and etc. The type of information technology products, fee calculation, method of payment and other details of the products will be agreed between the relevant parties separately.

LETTER FROM THE BOARD

Payment and settlement terms:

Payment and settlement terms under the 2023 Information System Procurement Framework Agreement shall be specified in each of the procurement agreements to be entered into thereunder in due course.

Pricing Policy

The purchase fees payable for the information technology products by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) specification, upgraded version and quality of such products; (ii) the open tender (mainly for hardware products); and (iii) the prevailing market prices for similar products in the industry (mainly for software products) and development costs, i.e. the cost composition provided by Conch IT Engineering. The profits are mainly determined based on the costs above and a reasonable profit rate, and is ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the base profit rate is approximately 10%.

Historical Amounts

The historical amounts of the fees paid by the Group to the Conch IT Engineering in respect of the procurement of information technology products for the two years ended 31 December 2021 and the eleven months ended 30 November 2022 are set out as follows:

	For the year ended 31 December		For the eleven months ended 30 November
	2020	2021	2022
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fees incurred in relation to the provision of information technology systems provided by Conch IT Engineering to the Group	1.0	6.4	6.5

LETTER FROM THE BOARD

Annual Cap and Basis of Determination

The proposed annual caps for the fees to be incurred in relation to the information technology systems under the 2023 Information System Procurement Framework Agreement for the three years ending 31 December 2025 are set out as follows:

	For the year ending 31 December		
	2023	2024	2025
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fees payable by the Group in relation to the provision of information technology systems provided by Conch IT Engineering	22	15	13

The above proposed annual caps for the three years ending 31 December 2025 were determined taking into account (i) the anticipated scale of projects under construction or to be launched by the Group, and (ii) the number of current projects for which the Group has engaged Conch IT Engineering to provide information technology products. The former will influence the unit price of each of the information technology products purchased and the latter will determine the number and type of information technology products to be purchased. In 2023, it is expected that the Group will procure four different types of information technology products, a total of more than forty, from Conch IT Engineering and the trend of cooperation between the Group and Conch IT Engineering will continue in 2024 and 2025 except for the one-off deal of the marketing management system in 2023.

Reasons and Benefits for entering into the 2023 Information System Procurement Framework Agreement

Conch IT Engineering has extensive experience in the development and design, as well as operation and maintenance of industrial automation and enterprise informatization in the cement and building materials industry, and has obtained level-3 qualification for information system integration granted by China Information Technology Industry Federation (中國電子信息行業聯合會). The Group believes that the procurement of information technology products from Conch IT Engineering could ensure safe and stable operation of the industrial solid and hazardous waste treatment projects of the Group.

Information on the Parties

The Group is a leading enterprise in China that provides industrial solid and hazardous waste treatment in compliance with the principles of environmental protection and cost effectiveness. The Group has pioneered the use of cement kiln co-processing services to facilitate a safe, harmless and efficient industrial solid and hazardous waste treatment.

LETTER FROM THE BOARD

Conch Cement is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the Latest Practicable Date, Conch Cement is the controlling Shareholder of the Company and holds and controls approximately 27% of the voting rights attached to all issued Shares of the Company together with its subsidiaries and Parties Acting in Concert. Conch Cement is ultimately controlled by the State-owned Assets Supervisions Administration Commission of Anhui Provincial People's Government (安徽省人民政府國有資產監督管理委員會).

Conch Design Institute is an enterprise established in the PRC and a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement. It is principally engaged in the design services for building materials industry and cement technology development. It possesses a Grade A qualification in the relevant industry.

Conch IT Engineering is an enterprise established in the PRC and a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement. It is principally engaged in software development, technical service, intelligent control system integration, installation and sales of industrial automatic control system, information system integration service and information system operation and maintenance services, etc.

Listing Rules Implications

As of the Latest Practicable Date, Conch Cement is the controlling shareholder of the Company and holds and controls approximately 27% of the voting rights attached to all issued shares of the Company together with its subsidiaries and its Parties Acting in Concert. Accordingly, Conch Cement is a connected person of the Company and the transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement between the Group and the Conch Cement Group constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

As of the Latest Practicable Date, both Conch Design Institute and Conch IT Engineering are the wholly owned subsidiaries of Conch Holdings, the holding company of Conch Cement. Accordingly, Conch Design Institute and Conch IT Engineering are the associates of Conch Cement and the connected persons of the Company. The transactions contemplated under the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement constitute continuing connected transactions of the Company pursuant to Chapter 14A of the Listing Rules.

LETTER FROM THE BOARD

As the engineering design services and/or technology modification services provided by Conch Design Institute and the information technology products provided by Conch IT Engineering are all supporting products or services for industrial solid and hazardous treatment projects, the proposed annual caps of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement shall be aggregated (the “**Aggregated Proposed Annual Caps**”). For clarification, the increase in the annual cap for the year ended 31 December 2022 under the 2022 Cement Kiln Co-treatment Framework Agreement and the Aggregated Proposed Annual Caps for the three years ending 31 December 2023, 2024, and 2025 is caused by (i) the calculation of the annual cap in 2022 starting from 4 April 2022, when Conch Cement became a connected person of the Company; (ii) the boosting of the cooperation scope and depth between the Group and Conch Cement, together with its subsidiaries and associates under synergy effect after the Company becoming a subsidiary of Conch Cement; and (iii) the improvement of production efficiency and the increase in treatment volume as a result of the technological transformation and modification in the Group.

As the highest applicable percentage ratio in respect of the Aggregated Proposed Annual Caps exceeds 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

General

Your attention is drawn to the letter from the Independent Board Committee set out on pages 22 to 23 of this circular, which contains its recommendation to the Independent Shareholders in relation to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending 31 December 2025). Your attention is also drawn to the letter of advice from the Independent Financial Adviser set out on pages 24 to 55 of this circular, which contains its advice to the Independent Board Committee and the Independent Shareholders in relation to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for each of the three years ending 31 December 2025), and the principal factors and reasons taken into account in arriving at its recommendation.

LETTER FROM THE BOARD

3. INTERNAL CONTROL MEASURES

In order to ensure that the terms under relevant framework agreements for the continuing connected transactions are fair and reasonable, and no less favorable to the Group than terms available to or from Independent Third Parties, and the connected transactions are carried out under normal commercial terms, the Company has adopted the following internal control procedures:

- The Group will study the prevailing market conditions and practises and make reference to the pricing and terms entered into between the Company and the Independent Third Parties for similar transactions to ensure that the pricing and terms offered by the connected persons are fair, reasonable and no less favourable than those with the Independent Third Parties, in particular:
 - (i) with respect to the cement kiln co-treatment transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, an independent agency will be commissioned to audit the cost on an annual basis. The Group will annually review the profit rate to ensure that the profit rate is within the range from 10% to 15%. The Group will endeavour to follow up the charging standards of cement kiln co-treatment projects of companies in the industry with the same business model to ensure that the service fees payable are fair and reasonable;
 - (ii) with respect to the technical modification transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the Group will seek quotations from not less than two independent suppliers for similar services for each project and enter into project implementation agreements with the connected persons after taking into account the assessment criteria (including commercial terms such as price, quality and construction period) to ensure that the prices and terms with the connected persons are fair and reasonable and no less favourable than those with the Independent Third Parties;
 - (iii) with respect to the ancillary products purchase transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the Group will seek quotations from not less than two independent suppliers for similar products before entering into the master purchase agreement, and will consider the assessment criteria (including commercial terms such as price, quality and payment terms) to ensure that the price and terms with the connected persons are fair and reasonable and no less favourable than those with the Independent Third Parties;
 - (iv) with respect to the transactions contemplated under the 2023 Engineering Design Services Framework Agreement, the Group will, to the extent commercially practicable, i.e. taking into account the relevant business frequency, administrative costs and procedures for obtaining quotations of the Company, seek quotations for similar services and products from not less than two independent suppliers for each project, and consider the assessment criteria

LETTER FROM THE BOARD

(including commercial terms such as location, price, quality, suitability, payment terms and time required for provision of services) before entering into any implementation agreements with the connected persons to ensure that the prices and terms with the connected persons are fair and reasonable and no less favourable than those with the Independent Third Parties; and

the relevant quotations of (i), (ii), (iii) and (iv) above together with the offer from the connected persons, will be reviewed and passed by the engineering management department or safety production and environmental protection department of the Company.

- (v) with respect to the transactions contemplated under the 2023 Information System Procurement Framework Agreement, the Group will verify the procurement agreements under open tender (mainly for hardware products) and cost composition (mainly for software products) provided by connected persons. The Group will sample at least once a year the purchase agreements between the Group and the connected persons and the cost composition provided by the connected persons to verify the fairness of the profit margin of 10%.
- the Company has adopted and implemented a management system on connected transactions. Under such system, the audit committee under the Board (the “**Audit Committee**”) is responsible for the review on compliance with relevant laws, regulations, the Company’s policies and the Listing Rules in respect of the continuing connected transactions. In addition, the Audit Committee under the Board, the Board and various internal departments of the Company are jointly responsible for evaluating the terms under framework agreements for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
 - the Audit Committee, the Board and various internal departments of the Company also regularly monitor the fulfilment status and the transaction updates under the framework agreements. The Audit Committee and the Board will review the continuing connected transactions at least once a year. Each of the Group’s subsidiaries will report the amount of connected transactions incurred and the status of performance in relation to the connected transactions to the Group on a monthly basis. The Board will monitor the aggregate amount of all the continuing connected transactions between the Group and relevant connected persons and control the aggregate amount under the continuing transactions as not exceeding the proposed annual caps. In addition, the management of the Company also regularly reviews the pricing policies of the framework agreements on an annual basis; and
 - the Company’s independent non-executive Directors and auditors will conduct annual review of the continuing connected transactions under the framework agreements and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the agreements, on normal commercial terms and in accordance with the pricing policy.

LETTER FROM THE BOARD

The Company will timely comply with the relevant disclosure requirements in relation to connected transactions to provide the Shareholders and investors with sufficient information of the connected transactions, and duly implement the abovementioned internal control procedures to ensure that the transactions conducted are priced fairly and reasonably and in the interest of the Company and the Shareholders as a whole.

4. EXTRAORDINARY GENERAL MEETING

The notice of EGM is set out on pages 64 to 66 of this circular at which, inter alia, ordinary resolutions will be proposed to Shareholders to consider and approve the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement.

Conch Cement, together with its subsidiaries and its Parties Acting in Concert are required under the Listing Rules to abstain from voting on the resolutions on approving the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement at the EGM. Accordingly, Conch Cement, Conch International Holdings (HK) Limited, Dazzling Star Investments Limited, Golden Convergence Limited, Fortune Gold Limited, Ren Yong, Qi Shengli, Li Qunfeng, Li Xiaobo, Zhou Xiaochuan, Han Zhuhua, Ma Wei and Wang Jingqian will abstain from voting on the aforesaid resolutions at the EGM. Please refer to the Appendix III to this circular for further details. Save as disclosed above, the Board is not aware of any other Shareholder who has any material interest that is required under the Listing Rules to abstain from voting on the aforementioned resolution.

Pursuant to the Listing Rules and the Articles of Association, any vote of Shareholders at a general meeting must be taken by poll except where the chairman, in good faith, decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. An announcement on the poll results will be published by the Company after the EGM in the manner prescribed under the Listing Rules.

On a poll, every Shareholder present in person or by proxy or, in the case of a Shareholder being a corporation, by its duly authorized representative, shall have one vote for every fully paid Share of which he/she is the holder. A Shareholder entitled to more than one vote needs not use all his/her votes or cast all the votes he/she uses in the same way.

For determining the entitlement to attend and vote at the EGM, the Register of Members of the Company will be closed from Friday, 3 March 2023 to Wednesday, 8 March 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 March 2023 (Hong Kong time).

LETTER FROM THE BOARD

A form of proxy for use at the EGM is enclosed with this circular and such form of proxy is also published on the websites of Hong Kong Exchanges and Clearing Limited (<http://www.hkexnews.hk>) and the Company (www.conchenviro.com). To be valid, the form of proxy must be completed and signed in accordance with the instructions printed thereon and deposited, together with the power of attorney or other authority (if any) under which it is signed or a certified copy of that power of attorney or authority at the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong as soon as possible but in any event not less than 48 hours before the time appointed for the EGM or the adjourned meeting thereof. Accordingly, this form of proxy must be delivered to the Branch Share Registrar of the Company in Hong Kong no later than Monday, 6 March 2023 at 10:00 a.m. (Hong Kong time). Completion and delivery of the form of proxy will not preclude you from attending and voting at the EGM if you so wish.

5. OPINION FROM THE BOARD

The Directors (excluding the independent non-executive Directors whose views have been included in the section headed "Letter from the Independent Board Committee" of this circular) are of the view that the terms of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement were determined after arm's length negotiation, and the transaction contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025 thereunder) are conducted in the ordinary and usual course of business of the Group and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

The independent non-executive Directors have formed the Independent Board Committee for the purposes of advising the Independent Shareholders in respect of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025) and whose views and recommendation have been included in the section headed "Letter from the Independent Board Committee" of this circular.

Mr. Li Qunfeng, Mr. Li Xiaobo, Ms. Liao Dan and Mr. Ma Wei, all being the Directors of the Company and Acting in Concert with Conch Cement in exercising their voting rights in general meetings of the Company, and Mr. Fan Zhan, being a Director of the Company and a deputy head of financial department in Conch Cement as at the Latest Practicable Date, have therefore abstained from voting on the relevant Board resolutions approving the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder.

LETTER FROM THE BOARD

Save as disclosed above, none of the other Directors has material interests in the transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder. Save as disclosed above, none of the other Directors have abstained from voting on the relevant resolutions at the Board meeting.

6. RECOMMENDATION

The Directors consider that the proposed resolutions for the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement is in the best interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Shareholders to vote in favour of the relevant resolutions as set out in the notice of EGM on pages 64 to 66 of this Circular.

The Independent Board Committee, having taken into account the advice of the Independent Financial Adviser, consider that the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025 thereunder) are on normal commercial terms, are fair and reasonable so far as the Independent Shareholders are concerned, in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole. Accordingly, the Independent Board Committee recommends the Independent Shareholders to vote in favour of the ordinary resolution in respect of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025 thereunder) at the EGM.

7. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

Yours faithfully,
By order of the Board
China Conch Environment Protection Holdings Limited
LIAO Dan
Joint Company Secretary

The following is the text of a letter from the Independent Board Committee setting out its recommendation to the Independent Shareholders in relation to the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement.

CONCH VENTURE

海螺环保

China Conch Environment Protection Holdings Limited

中國海螺環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 587)

16 February 2023

To the Independent Shareholders

Dear Sirs or Madams,

We refer to the circular date 16 February 2023 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms defined in the Circular shall have the same meanings herein unless the context otherwise requires.

We have been appointed by the Board as members of the Independent Board Committee to advise the Independent Shareholders as to whether the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder are entered into by the Group in its ordinary and usual course of business, on normal commercial terms, in the interests of the Company and the Shareholders as a whole and are fair and reasonable so far as the Independent Shareholders are concerned. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

We wish to draw your attention to the “Letter from the Board” set out on pages 5 to 21 of the Circular and the “Letter from Independent Financial Advisor” set out on pages 24 to 55 of the Circular.

After taking into account the advice of Gram Capital as set out in the Circular, we consider that the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps for the three years ending 31 December 2025 thereunder) is in the ordinary and usual course of the business of the Group, and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the ordinary resolutions to be proposed as the EGM to approve the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps for the three years ending 31 December 2025).

Yours faithfully,

The Independent Board Committee

Mr. HAO Jiming Mr. DAI Xiaohu Ms. WANG Jiafen

Independent Non-executive Directors

Set out below is the text of a letter received from Gram Capital, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Transactions for the purpose of inclusion in the Circular.



Room 1209, 12/F.
Nan Fung Tower
88 Connaught Road Central/
173 Des Voeux Road Central
Hong Kong

16 February 2023

*To: The independent board committee and the independent shareholders
of China Conch Environment Protection Holdings Limited*

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of (i) the transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement (the “**Transaction I**”); (ii) the transactions contemplated under the 2023 Engineering Design Services Framework Agreement (the “**Transaction II**”); and (iii) the transactions contemplated under the 2023 Information System Procurement Framework Agreement (the “**Transaction III**”, together with the Transaction I and Transaction II, the “**Transactions**”), details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 16 February 2023 (the “**Circular**”) issued by the Company to the Shareholders, of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

On 9 December 2022, the Company (on behalf of the Group) and Conch Cement (on behalf of Conch Cement, its subsidiaries and associates) agreed to renew the 2022 Cement Kiln Co-treatment Framework Agreement. Due to commercial arrangement considerations, for the purpose of renewal, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement in relation to, among other things, the cooperation in the industrial solid and hazardous waste treatment projects (i.e. the Transaction I).

On the even date, the Company (on behalf of the Group) and Conch Design Institute agreed to enter into the 2023 Engineering Design Services Framework Agreement in relation to, among other things, the procurement of engineering design services and/or technology modification services for the industrial solid and hazardous waste treatment projects (i.e. the Transaction II).

In addition, the Company (on behalf of the Group) and Conch IT Engineering agreed to enter into the 2023 Information System Procurement Framework Agreement on 9 December 2022 in relation to, among other things, the procurement of information technology systems for the industrial solid and hazardous waste treatment projects (i.e. the Transaction III).

With reference to the Board Letter, the Transactions constitute continuing connected transactions of the Company and are subject to the annual review, reporting, announcement, and the independent shareholders' approval requirement under the Listing Rules.

The Independent Board Committee comprising Mr. HAO Jiming, Mr. DAI Xiaohu and Ms. WANG Jiafen (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

We were not aware of (i) any relationships or interests between Gram Capital and (a) the Company; (b) Conch Cement; (c) Conch Design Institute; and (d) Conch IT Engineering; or (ii) any services provided by Gram Capital to (a) the Company; (b) Conch Cement; (c) Conch Design Institute; and (d) Conch IT Engineering, during the past two years immediately preceding the Latest Practicable Date, or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders.

Besides, apart from the advisory fee and expenses payable to us in connection with this engagement as the Independent Financial Adviser, there is no arrangement whereby we shall be entitled to receive any other fees or benefits from the Company.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors and managements of the Company (the "**Managements**"). We have assumed that all information and representations that have been provided by the Directors and the Managements, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors and/or the Managements in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers, the Directors and/or the Managements, which have been provided to us. Our opinion

is based on the Directors' and the Managements' representation and confirmation that there is no undisclosed private agreement/arrangement or implied understanding with anyone concerning the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that, to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive; and there are no other matters the omission of which would make any statement in the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, Conch Cement, Conch Design Institute, Conch IT Engineering or their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Transactions, we have taken into consideration the following principal factors and reasons:

Business overview of the Group

With reference to the Board Letter, the Group is a leading enterprise in China that provides industrial solid and hazardous waste treatment in compliance with the principles of environmental protection and cost effectiveness. The Group has pioneered the use of cement kiln co-processing services to facilitate a safe, harmless and efficient industrial solid and hazardous waste treatment.

A. THE TRANSACTION I**Information on Conch Cement**

With reference to the Board Letter, Conch Cement is principally engaged in the production and sales of cement, commodity clinker, aggregate and concrete.

To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as at the Latest Practicable Date, Conch Cement is the controlling shareholder of the Company and holds and controls approximately 27% of the voting rights attached to all issued shares of the Company together with its subsidiaries and Parties Acting in Concert. Conch Cement is ultimately controlled by the State-owned Assets Supervisions Administration Commission of Anhui Provincial People's Government (安徽省人民政府國有資產監督管理委員會).

Reasons for and benefit of the Transaction I

With reference to the Board Letter, Conch Cement has well-established existing cement kiln systems and possesses abundant cement production capacity. By leveraging the production capacity and waste heat of Conch Cement from the cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste reliably and cost-effectively by utilizing their existing cement kiln facilities and equipment through cement kiln co-treatment business cooperation. Such a cooperation business model has been encouraged by a series of favourable policies promulgated by PRC governments and is in line with the general market practice in the environmental protection industry.

Furthermore, as advised by the Managements, the Transaction I will be entered into in the ordinary and usual course of business of the Group and on a frequent basis. Therefore, the Managements consider that it would be less burdensome for the Company to enter into the Transaction I than to make separate disclosure of each relevant transactions and to obtain the approvals from the Independent Shareholders, as required by the Listing Rules. As advised by the Managements, as the Group's cement kiln waste treatment technologies use cement kiln to co-process waste during the cement production process, the Group therefore cooperates with cement company suppliers in possessing cement kiln resources. Having also reviewed the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, we concur with the Managements that the scope of the Transaction I are related to the Group's principal activities.

As also stated in the Prospectus, if the Group is unable to maintain its business relationship with the Group's cement company suppliers or if any of them otherwise ceases to cooperate with the Group at same or similar terms, or at all, the Group's business, results of operations and financial condition will be materially and adversely affected. The entering into of the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement will enable the Group to have a stable possessing cement kiln resource.

In light of the above, we consider that the Transaction I is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction I

Set out below are the key terms of the Transaction I, details of which are set out under the section headed “2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement” of the Board Letter.

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group); and (2) Conch Cement (on behalf of the Conch Cement Group)
Term:	From the date of the Independent Shareholders’ approval to 31 December 2025
Subject matter:	The Conch Cement Group agreed to provide industrial solid and hazardous waste treatment services and ancillary products and services to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, technical modification service, as well as labor protection appliance and etc. The precise scope of service and products, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.
Payment and settlement terms:	Payment and settlement terms under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement shall be specified in each of the project implementation agreements to be entered into thereunder in due course.

Pricing Policy:

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm’s length negotiation between the parties, on the basis of (i) the amount and type of industrial solid and hazardous waste treated by the cement kiln, resulting in cost variations in respect of the fuel, water and electricity, etc. consumed; and (ii) the prevailing market prices of cost for instance the electricity price and coal price, in the geographical area where the project is located. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions

in accordance with normal commercial terms. Based on the historical transactions, the profit rate was generally ranging from 10% to 15%. The Group will commission an independent agency to audit the cost and will review the profit rate and the Group will endeavour to follow up the charging standards of cement kiln co-treatment projects of companies in the industry with the same business model to ensure that the service fees payable are fair and reasonable.

With respect to the service fees payable for the technical modification service, the service fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the scale, investment amount, and complication of the project; (ii) the technical indicators and scope of technical modification; and (iii) the prevailing market prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, which will be obtained from the Group through regular quotation with not less than two Independent Third Parties.

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Group shall be determined on arm's length negotiation between the parties with reference to (i) the specification, model, unit price type and quality of such products; (ii) the operational costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, which will be obtained from the Group through regular quotation with not less than two Independent Third Parties.

For our due diligence purpose, we discussed with the Managements in respect of the basis for the determining of profit rate (i.e. generally ranging from 10% to 15%) under the service fees payable for the cement kiln co-treatment. We noted that the profit rate was determined with reference to the listed companies which engaged in the provision of solid waste treatment services. To assess the fairness of the profit rate of 10% to 15%, we identified three listed companies which (i) were engaged in solid waste treatment services (with gross profit or gross profit margin of such segment clearly stated in their financial reports) by using cement kiln co-treatment technical (which was explicitly stated in their annual reports); and (ii) listed on the Stock Exchange, Shenzhen Stock Exchange and/or Shanghai Stock Exchange. The aforesaid companies are exhaustive as far as we were aware of. Set out below are our findings:

Company name (stock code)	Segment	Year-end date	Margins of the segment (Note)
Weigang Environmental Technology Holding Group Limited (1845)	Cement plant parallel kiln co-treatment services	31 December 2021	7%
China Boqi Environmental (Holding) Co., Ltd. (2377)	Hazardous and solid waste treatment/disposal business	31 December 2021	28%
Jinyuan EP Co., Ltd. (SZ000546)	Harmless disposal of solid waste and hazardous waste	31 December 2021	83%

Company name (stock code)	Segment	Year-end date	Margins of the segment (Note)
Maximum			83%
Minimum			7%

Sources: Wind Financial Terminal & annual reports of the comparable companies

Note: Margins were calculated by revenue/(revenue — gross profit) — 1, i.e. gross profit over cost of sales.

Based on information obtained from Wind Financial Terminal and annual reports of the comparable companies, the margins of the relevant segments of comparable companies for FY2021 ranged from approximately 7% to approximately 83%.

As the three comparable companies were exhaustive, we consider the results would be fair and representative. Excluding the outlier of 83% (which was extremely larger than other two margins), the profit rate under the Transaction I (i.e. generally ranging from 10% to 15%) fell between the margins of the relevant segments of aforesaid two companies (i.e. 7% and 28%).

Based on the above analyses, we consider the profit rate (i.e. generally ranging from 10% to 15%) under the service fees payable for the cement kiln co-treatment to be fair.

In respect of service fees payable for the technical modification service and purchase fees payable for the ancillary products, the bases for the determination of the aforesaid fees included the prevailing market prices for similar services provided by the Independent Third Parties. As (i) the comparing prices offered by independent third parties for same/similar products/services were one of the commonly adopted pricing policies adopted in the continuing connected transactions and there will be quotations from not less than two Independent Third Parties for similar services; and (ii) the supplier with the lowest quotation will be selected as supplier for the technical modification service and/or ancillary products should the suppliers' other conditions are the same/similar as confirmed by the Managements, we consider the service fees payable for the technical modification service and purchase fees payable for the ancillary products to be fair.

Based on the above, we are of the view that the pricing policy of the Transaction I is fair and reasonable.

We further noted that the Group adopted internal control procedures for the transactions with the connected persons (including the measures for ensuring the fairness of the pricing policies and monitoring the proposed annual caps). Please refer to the section headed "Internal control measures" of the Board Letter for details. For our due diligence purpose, we obtained a copy of the Company's internal control procedures and acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Transaction I as disclosed in the Board Letter. After reviewing the content of the internal

control document and having considered that (i) with respect to the cement kiln co-treatment transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, there will be cost cross-check procedures (i.e. the Group will commission an independent agency to audit the cost on an annual basis) and review procedures of the profit rate; and (ii) with respect to the technical modification transactions and ancillary products purchase transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, there will be quotation collection procedures and quotation review procedures, we are of the view that there will be sufficient measures to ensure the fair pricing of the Transaction I. In addition, as each of the Group's subsidiaries will report the amount of connected transactions incurred and the status of performance in relation to the connected transactions to the Group on a monthly basis, we are also of the view that there will be sufficient measures to monitor the utilisation of the proposed annual caps.

Upon our request, the Managements provided us a list showing that there were 24 solid waste treatment projects which were operated by the Group in or before 2021 and Conch Cement Group were services suppliers for cement kiln co-treatment for such projects. We selected six projects according to the list on a random selection basis. Having considered that the number of projects which we selected represented 25% of the aforesaid total number of projects in respect of the Conch Cement Group's provision of cement kiln co-treatment services, we are of the view that such samples are fair and representative. We obtained audit reports for the operating cost for the solid waste treatment project of the aforesaid projects. As advised by the Managements, the reasonable cost under the pricing policy of the Transaction I for a year will normally be made with reference to the audited cost of such projects for the previous year as tentative cost^(Note). Therefore, we also requested the Managements to provide invoices for the Group's payment for the service fees for the cement kiln co-treatment for such projects in 2022. According to the audit reports and invoices, we noted that (i) the tentative cost adopted for the calculation of the service fees payable for the cement kiln co-treatment was approximately the same as the relevant figures as contained in the audit reports in general; and (ii) the margin adopted on the aforesaid cost fell within the range of profit rate of approximately 10% to 15%.

In respect of the ancillary products, the Managements provided us a list showing that there were approximately 40 subsidiaries of the Company entered into individual agreements for the procurement of the ancillary products from Conch Cement Group in 2022. We selected 10 subsidiaries according to the list on a random selection basis. Having considered that the number of subsidiaries which we selected represented approximately 25% of the total number of subsidiaries which entered into individual agreements for the procurement of the ancillary products from Conch Cement Group, we are of the view that such samples are fair and representative. We obtained the individual agreements among the selected subsidiaries and the Conch Cement Group together with quotations from Independent Third Parties. We noted that the price offered by the Conch Cement Group were not less favourable than those offered by Independent Third Parties for the same products.

Note: As confirmed by the Managements, as the actual cost for a year will be audited in the next year, the Conch Cement Group will refund the shortfall should the tentative cost exceed the audited actual cost; or the Group will pay the excess should the audited actual cost exceed tentative cost.

We also discussed with the Managements and staffs of Company's certain subsidiaries and understood that they were aware of the internal control procedures and would comply with the internal control procedures when conducting the Transaction I.

Based on the above, we do not doubt the effectiveness of the internal control procedures for the Transaction I.

Proposed annual caps

Set out below are (i) the historical amounts of the fees paid by the Group to the Conch Cement Group in respect of the industrial solid and hazardous waste treatment services and ancillary products and services for the two years ended 31 December 2021 and the eleven months ended 30 November 2022; and (ii) the proposed annual caps for the Transaction I for the three years ending 31 December 2025:

Historical transaction amounts	For the year ended 31 December 2020 ("FY2020") <i>(in RMB'million)</i>	For the year ended 31 December 2021 ("FY2021") <i>(in RMB'million)</i>	For the eleven months ended 30 November 2022 <i>(in RMB'million)</i>
Fees incurred in relation to industrial solid and hazardous waste treatment services and ancillary products and services provided by the Conch Cement Group	57.8	78.2	61.1
	For the year ending 31 December 2023 ("FY2023") <i>(in RMB'million)</i>	For the year ending 31 December 2024 ("FY2024") <i>(in RMB'million)</i>	For the year ending 31 December 2025 ("FY2025") <i>(in RMB'million)</i>
Proposed annual caps	135	150	159

Details of the bases for determining the proposed annual caps are set out under the sub-section headed "Annual Cap and Basis of Determination" under the section headed "2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement" of the Board Letter.

Upon our further request, we obtained a calculation for the proposed annual cap for FY2023 and noted the following:

- The proposed annual cap was calculated by (a) the estimated demand of the Transaction I of approximately RMB125 million for FY2023 (including (i) industrial solid and hazardous waste treatment services; and (ii) ancillary products and services); and (b) a buffer of approximately RMB10 million in addition to the estimated demand of the Transaction I for FY2023.

Industrial solid and hazardous waste treatment services

- The estimated demand of industrial solid and hazardous waste treatment services, being approximately RMB110 million was determined based on (i) estimated unit prices of; and (ii) estimated volume (in tonne) of such services.

A. Estimated unit prices

In respect of the estimated unit prices, we noted from the Company's prospectus dated 22 March 2022 (the "**Prospectus**") that in return for the provision of cement kiln resources, the Group pays fixed amounts of service fees for the industrial solid and hazardous waste the Group treated using cement kilns per tonne to the cement company suppliers. During 2018, 2019, 2020 and the nine months ended 31 September 2021, the service fees the Group paid for industrial solid waste per tonne ranged from RMB30 to RMB60 and the service fees for industrial hazardous waste ranged from RMB40 to RMB100. In light of that the estimated unit prices fell within their respective ranges and being approximate the midpoint of their respective range, we consider the estimated unit prices to be justifiable.

B. Estimated volume

According to the Prospectus, cement kiln waste treatment technologies are designed to incinerate pre-treated waste in cement kilns during the cement production process. Therefore, the utilisation of cement kiln waste treatment technologies (being the services to be provided under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement) will be directly related to the cement production and manufacturing or related works of cement company suppliers (i.e. the Conch Cement Group in this case). As advised by the Managements, due to the impact of the COVID-19 in the PRC for the year ended 31 December 2022 ("**FY2022**"), the Managements did not consider historical transactions (which related to cement production and manufacturing or related works) amounts in relation to the industrial solid and hazardous waste treatment services (which were provided by the Group by using cement kiln waste treatment technologies) for FY2022 when determining the estimation of industrial solid and hazardous waste treatment services for FY2023.

Performance of cement industry and the Conch Cement Group

Cement industry: According to the statistics published by National Bureau of Statistics of the PRC, the annual production quantity of cement remains at a stable level for 2018 to 2021 with year-on-year change of less than 5%. However, the production quantity of cement for the FY2022 was approximately 11% lower than that for FY2021. The aforesaid change in the annual production quantity of cement for FY2022 is also the single largest year-on-year change during the last decade. We consider the annual production quantity of cement for FY2022 is rather an outlier as compared to that for 2018 to 2021 for our analyses purpose.

Conch Cement Group: With reference to Conch Cement's interim report for the six months ended 30 June 2022, in the first half of 2022, with the increasingly complicated and difficult international environment and the frequent spread of the epidemic outbreaks in the PRC, the downward pressure of the macro economy increased.

In addition, we also noted that the Conch Cement Group realized an aggregate net sales volume of cement and clinker of 130 million tonnes, representing a period-on-period decrease of 37.46% for the six months ended 30 June 2022 (for the six months ended 30 June 2021: an period-on-period increase of approximately 11.49%). According to the Conch Cement Group's previous annual reports, the Conch Cement Group recorded increases in the aggregate net sales volume of cement and clinker of approximately 17.44% from 2018 to 2019; approximately 4.69% from 2019 to 2020; and decrease in the aggregate net sales volume of cement and clinker of approximately 9.76% from 2020 to 2021.

Furthermore, according to Conch Cement's announcement dated 30 January 2023, based on the information currently available to the management of Conch Cement and a preliminary review and assessment of the operating results of the Conch Cement Group for FY2022 based on the unaudited consolidated management accounts of Conch Cement prepared in accordance with the China Accounting Standards for Business Enterprises, it is expected that the Conch Cement Group's net profit attributable to the company's equity holders represented a year-on-year reduction of 50% to 58%, which is mainly attributable to (1) the decline in demand in the PRC cement market as a result of factors including the downturn in the real estate market and the resurgence of the epidemic in 2022, which led to a year-on-year decrease in the selling prices and sales volume of the Conch Cement Group's cement products; and (2) the cost of Conch Cement's products increased year-on-year due to the increase in coal price and electricity price.

Having considered the statistics as mentioned above, including the sudden change of the performance of cement industry and sales volume of Conch Cement Group's cement products for FY2022, we are of the view that it is reasonable to exclude the historical amounts for 2022 when determining the estimated volume of industrial solid waste and hazardous waste from Conch Cement Group (which was directly linked to the production level of Conch Cement Group).

The historical volume (in tonne) of industrial solid waste from 2019 to 2021 and hazardous waste were moved in an increasing trend. The estimated volume (in tonne) of industrial solid waste for FY2023 was in line with (with a difference of less than 1%) its historical volume (in tonne) for FY2021.

The estimated volume (in tonne) of hazardous waste for FY2023 represented an increase of approximately 15% to its historical volume (in tonne) of hazardous waste for FY2021. We also noted that the aforesaid increase of 15% (i) was lower than the growth rates of historical volume (in tonne) of hazardous waste from 2019 to 2021 (i.e. approximately 42% from 2019 to 2020 and approximately 54% from 2020 to 2021), indicating the growth was not overestimated; and (ii) was close to the estimated annual growth rate of treatment capacity of hazardous waste by cement kilns (China) during the period from 2022 to 2023 (which was expected to be approximately 13%) according to the Prospectus, indicating the possible increase in demand of hazardous waste services due to the estimated increase of treatment capacity of hazardous waste by cement kilns in China.

Based on the above, we consider the estimated volume (in tonne) of industrial solid and hazardous waste for FY2023 to be justifiable.

Based on the above, we are of the view that the estimated demand of industrial solid and hazardous waste treatment services for FY2023 to be reasonable.

Ancillary products and services

- As advised by the Managements, the estimated demand of ancillary products and services for FY2023, being approximately RMB14.6 million, was determined based on the estimation of that for FY2022.

The Managements further advised us the historical amounts of ancillary products and services for the six months ended 30 June 2022 (i.e. approximately RMB7.31 million). We noted that the estimated demand for FY2023 represented the estimated amounts for FY2022 (based on the annualization historical amounts for the six months ended 30 June 2022).

In addition, as also advised by the Managements, the historical amounts of ancillary products and services for the eleven months ended 30 November 2022 were approximately RMB9.9 million. Based on the aforesaid historical amounts for the eleven months ended 30 November 2022, the annualised amounts for FY2022 would be approximately RMB10.8 million, representing an implied increase of approximately 25.3% as compared to the historical amounts for FY2021. The estimated demand of ancillary products and services of approximately RMB14.6 million is close to the implied amounts for FY2023 (being approximately RMB13.5 million, calculated by the annualised amounts of approximately RMB10.8 million for FY2022 and the implied increase of approximately 25.3%).

Based on the above, we are of the view that the estimated demand of ancillary products and services for FY2023 to be reasonable.

Buffer

- As aforementioned, a buffer of approximately RMB10 million was applied to the estimated demand of the Transaction I for FY2023 was adopted. We understood that the purpose of the adoption of buffer is to cover unexpected increase in (1) surging demand in volume of the Transaction I (i.e. the implied growth of 15% in estimated volume (in tonne) of hazardous waste for FY2023 as compared to FY2021 was lower than the historical growth rates of such demand of approximately 42% and 54% from 2019 to 2021 (please refer to subsection headed “B. Estimated volume” above), the possible additional amounts would be approximately RMB14.8 million should the actual growth be approximately 48% (being the average growth of the historical growth rates of approximately 42% and 54%)); (2) relevant cost for the Transaction I (i.e. the upper limit of the service fees the Group paid for industrial solid waste and for industrial hazardous waste were approximately 33% and 43% higher to their respective estimated unit prices, the possible additional amounts would be approximately RMB41.2 million should the actual unit prices be the upper limit of the service fees ranges for the Group’s payment of industrial solid waste and hazardous waste); and (3) the demand of technical modification service under the Transaction I.

Despite that the amounts of aforesaid possible additional amounts were more than the amounts of buffer, having considered that (i) the aforesaid possible additional amounts were calculated based on the extreme cases; (ii) the purpose of buffer is to cover unexpected circumstances; and (iii) the estimated demand of the Transaction I was fair and reasonable as analysed above, we are of the view that the buffer of approximately RMB10 million to be justifiable.

Having considered the above factors, we are of the view that the proposed annual cap of the Transaction I for FY2023 is fair and reasonable.

In addition, the proposed annual cap of the Transaction I (i) for FY2024 represented an increase of approximately 11% as compared to that for FY2023; and (ii) for FY2025 represented an increase of approximately 6% as compared to that for FY2024. As the aforesaid increases were (i) lower than the historical increase of approximately 35% in such transactions for FY2021 as compared to that for FY2020, indicating the implied increases (i.e. 11% and 6%) were not overestimated; (ii) close to the estimated annual growth rate of treatment capacity of industrial solid waste and hazardous waste by cement kilns (China) during the period from 2023 to 2024 (which was expected to be approximately 10%) and from 2024 to 2025 (which was expected to be approximately 8%) according to the Prospectus, we consider the proposed annual caps of the Transaction I for FY2024 and FY2025 to be fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of costs to be incurred from the Transaction I. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Transaction I will correspond with the proposed annual caps.

In light of the above, we are of the view that the terms of Transaction I are on normal commercial terms and are fair and reasonable.

B. THE TRANSACTION II

Information on Conch Design Institute

With reference to the Board Letter, Conch Design Institute is an enterprise established in the PRC and a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement. It is principally engaged in design services for building materials industry and cement technology development. It possesses a Grade A qualification in the relevant industry.

Reasons for and benefit of the Transaction II

With reference to the Board Letter, Conch Design Institute has extensive experience in building materials industry design and cement technology development and possesses Grade A qualification in the relevant industry. It is relatively familiar with the general factory layout, structures and set-up of the Group and had previously undertaken the design of most of the Group's environmental protection projects. Certain industrial solid and hazardous waste treatments of the Group designed or modified by Conch Design Institute have been successfully put into operation. The Company believes that commissioning Conch Design Institute to undertake the engineering design or technology modification of certain industrial waste treatment projects of the Company is conducive to the coordination and implementation of the projects and hence ensure that the progress and quality of the projects will be under control.

With reference to the Prospectus, the Group has a systematic operational process in place to maintain the quality and consistency of the services the Group delivers (please reference to sub-section headed “Our operational process” under the section headed “Business” of the Prospectus). Detailed solution design is one of the major steps of the Group’s typical business operational process. Under the detailed solution design step, the Group requires cement companies to provide the electricity and water supply plans of their cement plants and the design specifications of their cement kilns for the Group’s detailed solution design. As advised by the Managements, there would be synergy effect as Conch Design Institute also provided engineering design services for subsidiaries of Conch Cement. We noted from Conch Cement’s annual report for FY2021 that on 1 March 2021, upon approval by the board of directors of Conch Cement, Conch Cement and Conch Design Institute entered into an engineering project design and technology service contract, pursuant to which Conch Design Institute shall provide certain subsidiaries of Conch Cement with services such as engineering design and technology transformation for the clinker production lines, cement grinding system, aggregate and commodity concrete projects.

In light of the above, we consider that the Transaction II is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction II

Set out below are the key terms of the Transaction II, details of which are set out under the section headed “2023 Engineering Design Services Framework Agreement” of the Board Letter.

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group); and (2) Conch Design Institute
Subject matter:	Conch Design Institute agreed to provide engineering design services and/or technology modification services for industrial solid and hazardous treatment projects, which primarily includes designing the facilities for industrial waste treatment systems and developing technology modification for further demands upon existing cement kiln co-treatment systems. The precise scope of services, fee calculation, method of payment and other details of the service arrangement will be agreed between the relevant parties separately.
Term:	From the date of the Independent Shareholders’ approval to 31 December 2025
Payment and settlement terms:	Payment and settlement terms under the 2023 Engineering Design Services Framework Agreement shall be specified in each of the implementation agreements to be entered into thereunder in due course.

Pricing policy:

The service fees payable by the Group shall be determined after arm's length negotiations with reference to the Engineering Survey Design Fee Standards (2002 Revised Version) (《工程勘察設計收費標準》(2002年修訂本)), jointly promulgated by the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as the National Development Planning Commission of the PRC (中華人民共和國國家發展計劃委員會)) and the Ministry of Housing and Urban-Rural Development of the PRC (中華人民共和國住房和城鄉建設部, previously known as Ministry of Construction of the PRC (中華人民共和國建設部)), and Interim Provisions on Consulting Charges for Preliminary Work of Construction Projects (Ji Jia Ge [1999] No. 1283) (《建設項目前期工作諮詢收費暫行規定》(計價格[1999]1283號)) promulgated by National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會, previously known as National Planning Commission of the PRC (中華人民共和國國家計劃委員會)), as well as the project scale, investment amount, scope of design, complication of the project, technology indicators, and the prevailing market rates and prices for similar services provided by the Independent Third Parties in the ordinary course of business on normal commercial terms, i.e. the Group will seek quotations from not less than two independent suppliers for similar services for each project.

As (i) the service fees will be determined with reference to the relevant standards, provisions and prevailing market prices for similar services provided by the Independent Third Parties (not less than two); and (ii) the supplier with the lowest quotation will be selected as supplier for the technical modification service and/or engineering design services should the suppliers' other conditions are the same/similar as confirmed by the Managements, we are of the view that the pricing policy of the Transaction II is fair and reasonable.

We further noted that the Group adopted internal control procedures for the transactions with the connected person (including the measures for ensuring the fairness of the pricing policies and monitoring the proposed annual caps). Please refer to the section headed "Internal control measures" of the Board Letter for details. For our due diligence purpose, we obtained a copy of the Company's internal control procedures and acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Transaction II as disclosed in the Board Letter. After reviewing the content of the internal control document and having considered that there will be quotation collection procedures (from at least two independent suppliers for each project) and quotation review procedures, we are of the view that there will be sufficient measures to ensure the fair pricing of the Transaction II. In addition, as each of the Group's subsidiaries will report the amount of connected transactions incurred and the status of performance in relation to the connected transactions to the Group on a monthly basis, we are also of the view that there will be sufficient measures to monitor the utilisation of the proposed annual caps.

In addition, the Managements advised us that the Group entered into two individual agreements with Conch Design Institute in respect of engineering design services and technology modification services from the period from 1 April 2022 to 31 December 2022, one of which could be directly compared with similar services offered by the Independent Third Parties. Upon our request, the Managements provided us (i) an individual agreement (which could be directly compared with similar services offered by the Independent Third Parties) with Conch Design Institute together with two individual agreements among the Group and Independent Third Parties for similar services; and (ii) another individual agreement with Conch Design Institute together with two quotations from Independent Third Parties for the same projects. According to the aforesaid agreements and quotations, services fee as shown in the individual agreements with Conch Design Institute were less than services fees as shown in (i) the individual agreements with Independent Third Parties for similar services; or (ii) quotation letters as provided by the Independent Third Parties for the same project.

We also discussed with the Managements and staffs of relevant department of the Company (which are expected to be involved in the pricing of Transaction II) and understood that they were aware of the internal control procedures and would comply with the internal control procedures when conducting the Transaction II.

Based on the above, we do not doubt the effectiveness of the internal control procedures for the Transaction II.

The proposed annual caps

Set out below are (i) the historical amounts of the fees paid by the Group to Conch Design Institute in respect of the engineering design services and/or technology modification services for the two years ended 31 December 2021 and the eleven months ended 30 November 2022; and (ii) the proposed annual caps for the Transaction II for the three years ending 31 December 2025:

Historical transaction amounts	For the year ended 31 December 2020 <i>(in RMB'million)</i>	For the year ended 31 December 2021 <i>(in RMB'million)</i>	For the eleven months ended 30 November 2022 <i>(in RMB'million)</i>
Fees incurred in relation to the engineering design services and/or technology modification services provided by Conch Design Institute to the Group	6.9	6.4	6.2

	For the year ending 31 December 2023 <i>(in RMB'million)</i>	For the year ending 31 December 2024 <i>(in RMB'million)</i>	For the year ending 31 December 2025 <i>(in RMB'million)</i>
Proposed annual caps	19	16	15

Details of the bases for determining the proposed annual caps are set out under the sub-section headed “Annual Cap and Basis of Determination” under the section headed “2023 Engineering Design Services Framework Agreement” of the Board Letter.

Upon our further request, we obtained a calculation for the proposed annual cap for FY2023 and noted the following:

- The proposed annual cap was calculated by (i) the estimated demand of the Transaction II for FY2023 of approximately RMB17.4 million (including (a) the estimated amounts derived from signed contracts of approximately RMB4.7 million; and (b) the estimated amounts of engineering design services and technical modification services for potential projects of approximately RMB12.7 million); and (ii) a buffer of approximately RMB1.6 million in addition to the estimated demand of the Transaction II for FY2023.
- **Estimated amounts derived from signed contracts (i.e. RMB4.7 million):** We understood that the estimated amounts derived from signed contracts of approximately RMB4.7 million were mainly unpaid services fees or quality guarantee amounts. The Managements also advised us that the estimated amounts derived from the contracts which were already signed by the Group with Conch Design Institute is the same as the remaining contract values of such contracts which were expected to be paid in FY2023.
- **Estimated amounts of engineering design services and technical modification services for potential projects (i.e. RMB12.7 million):** based on our discussion with the Managements, we understood that there will be nine projects in total in respect of the engineering design services and technical modification services. The Managements further advised us the details of the potential projects, such as the project name, project location, treatment capacity, expected completion date.

The Managements advised that Conch Design Institute will provide technical modification services to the Group for one of the nine projects, the service contract was entered into between relevant party in the fourth quarter of 2022 (note: as the technical modification services under the individual agreement were not commenced, the contract value of the technical modification services was included herein instead of including such amounts in the segment of estimated amounts derived from signed contracts). We obtained the aforesaid service contract and noted that the estimated amount for the technical

modification services (i.e. RMB4.11 million) represented the contract value of the aforesaid service contract. As also confirmed by the Managements, the Company did not make any payment according to the aforesaid service contract.

In respect of the remaining eight industrial solid waste treatment projects and fly ash washing projects, we understood that Conch Design Institute will provide engineering design services for the eight projects. In addition, the Managements also advised us the estimated engineering design service fee for each of the projects, the total amount of which were approximately RMB9.85 million. We also understood that such service fees were determined based on historical fee quotes. Upon our request, we also obtained from the Company eight signed contracts for similar services among the Group and connected persons (the “**Individual Contracts**”) and acknowledged that the estimated contract values of engineering design services for each remaining eight projects were close (with a difference of 5% or less) to the midpoints of the contract values of the signed contracts in respect of the engineering design services for the same type of projects. Having considered that (i) the services contemplated under the Individual Contracts were engineering design services or included engineering design services (in this case, only services fees for engineering design services were considered) for the designing of industrial solid waste treatment projects and fly ash washing projects respectively; (ii) the designed treatment capacity of the underlying projects of almost all Individual Contracts were the same to the designed treatment capacity of potential eight industrial solid waste treatment projects and fly ash washing projects; and (iii) our aforesaid analyses were made reference to the midpoints of the contract values of the signed contracts in respect of the engineering design services for the same type of projects such that the different values of the Individual Contracts were considered, we are of the view that estimated contract value of potential industrial solid waste treatment projects and fly ash washing projects could be made with reference to the contract values of the Individual Contracts.

As further advised by the Managements, they assumed that there will be proportions of 5% or 10% of total contract value of relevant project as quality guarantee fee and such fee will be settled upon one year after the completion of the construction of such services, the construction period of which normally be eight to ten months. We also noted from the Individual Contracts that there were similar arrangements (i.e. 5% or 10% of total contract value of relevant project as quality guarantee fee and such fee will be settled upon one year after the completion of the construction of such services) to aforesaid assumed quality guarantee arrangement. Excluding the quality guarantee fee of approximately RMB1.29 million (calculated by the total contract value of the nine projects (i.e. RMB4.11 million + RMB9.85 million = RMB13.96 million) multiplied by the proportions of quality guarantee fee (i.e. 5% or 10% of the total contract value), the estimated amounts of engineering design services and technical modification services for potential projects would be approximately RMB12.7 million.

- As aforementioned, a buffer of approximately RMB1.6 million was applied to the estimated demand of the Transaction II for FY2023 was adopted. We understood that the purpose of the adoption of buffer is to cover unexpected increase in surging demand of the Transaction II or relevant cost for the Transaction II. In addition, the engineering design services is for engineering construction projects, any earlier request for engineering design services for additional projects originally planned in 2024 (normally 10% of the total contract value will be required to settle upon signing the individual contracts, which means approximately RMB1.4 million according to the estimated contract values for FY2024) may lead to the increase in demand of the Transaction II for FY2023. As explained by the Managements, historically, (i) the commencement of the construction of one of the Group's industrial solid and hazardous treatment projects was in the fourth quarter of 2021, which was originally scheduled in the first quarter of 2022; and (ii) the commencement of the construction of the Group's another industrial solid and hazardous treatment projects was in the fourth quarter of 2020, which was originally schedule in the first quarter of 2021. Therefore, we consider the buffer of approximately RMB1.6 million for FY2023 to be justifiable.

Having considered the above factors, we are of the view that the proposed annual cap of the Transaction II for FY2023 is fair and reasonable.

In addition, the proposed annual caps of the Transaction II for FY2024 and for FY2025 moved in a decreasing trend. The Managements advised that the aforesaid decreasing trend was mainly due to the exclusion of estimated amounts derived from signed contracts of RMB4.7 million, which was expected to be recorded in FY2023.

The Managements assumed that the estimated contract values of engineering design services for potential projects will be at the same level of the estimated contract values of engineering design services for FY2023 (i.e. approximately RMB13.96 million). Having considered that the historical amounts of the Transaction II for each of the two years ended 31 December 2021 were at similar level, we are of the view that the aforesaid assumption to be justifiable.

Assuming the estimated contract values of engineering design services for potential projects will be at the same level of the estimated contract values of engineering design services (i.e. approximately RMB13.96 million) for FY2023 and excluding the quality guarantee amounts of approximately RMB0.7 million (being approximately 5% of the total estimated contract value), the estimated amounts to be recorded from individual contracts of engineering design services for FY2024 and FY2025 would be approximately RMB13.26 million. Having also considered the quality guarantee amounts of approximately RMB1.29 million (from possible individual contracts in FY2023) and RMB0.7 million (from possible individual contracts in FY2024 and calculated by the total contract value of RMB13.96 million multiplied by the proportion of quality guarantee fee

of 5% of the total contract value), the total estimated amounts of engineering design services would be approximately RMB14.6 million (calculated by RMB13.26 million + RMB1.29 million) for FY2024 and approximately RMB14.0 million (calculated by RMB13.26 million + RMB0.7 million) for FY2025.

Despite that the proportion of quality guarantee amounts to total contract value adopted for the estimation for FY2024 and FY2025 (i.e. 5%) were different from such proportion adopted for the estimation for FY2023 (i.e. 5% or 10%), having considered that there were adoption of 5% or 10% as the proportion of the quality guarantee amounts according to the Individual Contracts, we are of the view that the aforesaid arrangement is justifiable.

We consider the total estimated amounts of engineering design services for FY2024 and FY2025 to be fair and reasonable.

Buffers of approximately RMB1.4 million and approximately RMB1.0 million were adopted in addition to the total estimated amounts of engineering design services for FY2024 and FY2025 respectively. Having considered (i) in respect of the buffer for FY2024, the unexpected increase in the fees to be paid in FY2024 (such as engineering design services is for engineering construction projects, any delay in completion of the works in FY2023 (which may cause the postponement of the settlement of services fees) or the earlier request for engineering design services for additional projects originally planned in 2025 (normally 10% of the total contract value will be required to settle upon signing the individual contracts, which means approximately RMB1.4 million according to the estimated contract values for FY2025) may lead to the increase in demand of the Transaction II for FY2024; and (ii) in respect of the buffer for FY2025, the possible increase in the proportions of quality guarantee fees for projects for FY2024 may lead to the increase in such guarantee amounts to be settled in FY2025 (i.e. increased from 5% to 10% of total contract value, being approximately RMB0.7 million), we are of the view that the buffers for FY2024 and FY2025 are justifiable and the proposed annual caps for FY2024 and FY2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of costs to be incurred from the Transaction II. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Transaction II will correspond with the proposed annual caps.

In light of the above, we are of the view that the terms of Transaction II are on normal commercial terms and are fair and reasonable.

C. THE TRANSACTION III

Information on Conch IT Engineering

With reference to the Board Letter, Conch IT Engineering is an enterprise established in the PRC and a wholly owned subsidiary of Conch Holdings and an associate of Conch Cement. It is principally engaged in software development, technical service, intelligent control system integration, installation and sales of industrial automatic control system, information system integration services and information system operation and maintenance services, etc..

Reasons for and benefit of the Transaction III

With reference to the Board Letter, Conch IT Engineering has extensive experience in the development and design, as well as operation and maintenance of industrial automation and enterprise informatization in the cement and building materials industry, and has obtained level-3 qualification for information system integration granted by China Information Technology Industry Federation (中國電子信息行業聯合會). The Group believes that the procurement of information technology products from Conch IT Engineering could ensure safe and stable operation of the industrial solid and hazardous waste treatment projects of the Group.

As further advised by the Managements, certain information technology systems/equipment, which are used for the Group's operation for the treatment of industrial solid and hazardous waste, are connected to Conch Cement's relevant systems and equipment. Therefore, there will be synergy effect by procuring relevant information technology products from Conch IT Engineering, as Conch IT Engineering also supplied equipment and provided software design services for the intelligent and informatization projects of certain subsidiaries of Conch Cement.

In light of the above, we consider that the Transaction III is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principal terms of the Transaction III

Set out below are the key terms of the Transaction III, details of which are set out under the section headed "2023 Information System Procurement Framework Agreement" of the Board Letter.

Date:	9 December 2022
Parties:	(1) The Company (on behalf of the Group), and (2) Conch IT Engineering

Subject matter:	Conch IT Engineering agreed to provide certain information technology systems to the Group for certain industrial solid and hazardous waste treatment projects, which primarily includes providing DCS (i.e. distributed control system) central control system and security early warning system and etc. The type of information technology products, fee calculation, method of payment and other details of the products will be agreed between the relevant parties separately.
Term:	From the date of the Independent Shareholders' approval to 31 December 2025.
Payment and settlement terms:	Payment and settlement terms under the 2023 Information System Procurement Framework Agreement shall be specified in each of the procurement agreements to be entered into thereunder in due course.

Pricing policy:

The purchase fees payable for the information technology products by the Group shall be determined by adding a reasonable profit over a reasonable cost. The costs are mainly determined, after arm's length negotiation between the parties, on the basis of (i) specification, upgraded version and quality of such products; (ii) the open tender (mainly for hardware products); and (iii) the prevailing market prices for similar products in the industry (mainly for software products) and development costs, i.e. cost composition provided by Conch IT Engineering. The profits are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the negotiations between the parties to the transactions in accordance with normal commercial terms. Based on the historical transactions, the base profit rate is approximately 10%.

We also noted from Conch Cement's announcement dated 30 May 2022 that, among other things, Conch Cement also entered into an equipment supply and software design contract (the "**Equipment Supply and Software Design Contract**"). Pursuant to the announcement, (i) Conch IT Engineering shall supply equipment and provide software design services for the intelligent and informatization projects of certain subsidiaries of Conch Cement; and (ii) the contract prices was determined mainly on a cost plus reasonable profit margin basis and were agreed by both parties after arm's length negotiation, where the cost of the software and hardware of the systems was determined through open tender or with reference to the market prices of similar products and the profit margin thereof was determined mainly with reference to the prices of similar transactions between the Conch Cement group and Conch IT Engineering in the past, as well as the fees charged for intelligent and informatization projects in the industry (the base profit margin is 10% of the cost of the software and hardware of the systems).

As (i) the transactions contemplated under the 2023 Information System Procurement Framework Agreement included the provision of information technology systems (included those designed by Conch IT Engineering) and information technology related products, whereas the transactions contemplated under the Equipment Supply and Software Design Contract included the supply of equipment and provision of software design services for the intelligent and informatization projects of certain subsidiaries of Conch Cement; and (ii) the products/services contemplated under the 2023 Information System Procurement Framework Agreement and the Equipment Supply and Software Design Contract were similar types of products/services as confirmed by the Managements (after consulting with staff of Conch IT Engineering), we consider the pricing policy for products contemplated under the 2023 Information System Procurement Framework Agreement could be made reference to the pricing policy for products contemplated under the Equipment Supply and Software Design Contract.

To assess the fairness of the profit rate of 10%, we identified 14 listed companies which were engaged in industrial automation related industry (with gross profit or gross profit margin of the segment clearly stated in their financial reports) and listed on the Stock Exchange, Shenzhen Stock Exchange and/or Shanghai Stock Exchange after considering that the information technology systems contemplated under the 2023 Information System Procurement Framework Agreement (i) not only include systems, but also include relevant devices for the systems; and (ii) were used for industrial automation related purpose, as advised by the Managements. The aforesaid companies are exhaustive as far as we were aware of. Set out below are our findings:

Company name (stock code)	Segment	Year-end date	Margins of the segment (Note)
Shenzhen Inovance Technology Co., Ltd. (SZ300124)	General automation	31 December 2021	82%
Beijing Dahao Technology Corp., Ltd. (SH603025)	Electric control of sewing and knitting equipment	31 December 2021	67%
Chongqing Chuanyi Automation Co., Ltd. (SH603100)	Industrial automation instruments and devices	31 December 2021	57%
Shenzhen INVT Electric Co., Ltd. (SZ002334)	Automated industry	31 December 2021	56%
WindSun Science Technology Co., Ltd. (SH688663)	Motor drive and control	31 December 2021	37%
Wuxi Xinje Electric Co., Ltd. (SH603416)	Programmable controllers	31 December 2021	135%

Company name (stock code)	Segment	Year-end date	Margins of the segment (Note)
Shanghai Hi-tech Control System Co., Ltd. (SZ002184)	Industrial electrical automation	31 December 2021	14%
Shanghai STEP Electric Corporation (SZ002527)	Industrial automation control	31 December 2021	25%
Sichuan Etrol Technologies Co., Ltd. (SZ300370)	Automation	31 December 2021	29%
Nanjing Sciyon Wisdom Technology Group Co., Ltd. (SZ002380)	Industrial automation and informatization	31 December 2021	70%
Ningbo Techmation Co., Ltd. (SZ603015)	Automated industry	31 December 2021	55%
Shenzhen V & T Technologies Co., Ltd. (SZ300484)	Automated industry	31 December 2021	49%
Beijing AriTime Intelligent Control Co., Ltd. (SH600560)	Industrial computer control system	31 December 2021	32%
Shenzhen Sine Electric Co., Ltd. (SH688395)	Automated industry	31 December 2021	46%
Maximum			135%
Minimum			14%

Sources: Wind Financial Terminal & annual reports of the comparable companies

Note: Margin was calculated by revenue/(revenue – gross profit) – 1, i.e. gross profit over cost of sales.

Based on information obtained from Wind Financial Terminal and annual reports of the comparable companies, the margins of the relevant segments of comparable companies for FY2021 ranged from approximately 14% to approximately 135%. Despite that the aforesaid ranges are broad, we consider the range of margins is meaningful for our analysis after considering that the profit rate under the Transaction III was below the lower limit of the range of the margins. As Conch IT Engineering will charge a smaller margin as compared to the relevant segments of comparable listed companies as mentioned above, we consider the profit rate of 10% to be fair.

Based on the above (i.e. the profit margin charged by Conch IT Engineering under the Transaction III is the same as that charged by Conch IT Engineering to members of Conch Cement and our findings of margins of the relevant segments of comparable companies), we are of the view that the pricing policy of the Transaction III is fair and reasonable.

We further noted that the Group adopted internal control procedures for the transactions with the connected persons (including the measures for ensuring the fairness of the pricing policies and monitoring the proposed annual caps). Please refer to the section headed “Internal control measures” of the Board Letter for details. For our due diligence purpose, we obtained a copy of the Company’s internal control procedures and acknowledged that the contents of internal control document contained all relevant procedures for both fair pricing measures and annual cap monitoring measure for the Transaction III as disclosed in the Board Letter. After reviewing the content of the internal control document and having considered that there will be cost verifying procedures (the request by the Company to obtain supporting documents for costs) and review procedures of the profit rate, we are of the view that there will be sufficient measures to ensure the fair pricing of the Transaction III. In addition, as each of the Group’s subsidiaries will report the amount of connected transactions incurred and the status of performance in relation to the connected transactions to the Group on a monthly basis, we are also of the view that there will be sufficient measures to monitor the utilisation of the proposed annual caps.

In addition, the Managements advised us that the Group entered into three individual agreements with Conch Design Institute in respect of the Group’s procurement of information technology products from Conch IT Engineering from the period from 1 April 2022 to 31 December 2022. Upon our request, we obtained the aforesaid three individual agreements together with three copies of individual agreements entered into among Conch IT Engineering and its suppliers in respect of Conch IT Engineering’s procurement of information technology products from the suppliers. We cross checked all the individual items under the agreements between the Group and Conch IT Engineering with the same items contemplated under individual agreements among Conch IT Engineering and its suppliers. We noted that the price offered by Conch IT Engineering to the Group for almost all items are in line with the pricing policy of the Transaction III.

We also discussed with the Managements and staffs of Company’s certain subsidiaries and understood that they were aware of the internal control procedures and would comply with the internal control procedures when conducting the Transaction III.

Based on the above, we do not doubt the effectiveness of the internal control procedures for the Transaction III.

The proposed annual caps

Set out below are (i) historical amounts of the fees paid by the Group to the Conch IT Engineering in respect of the procurement of information technology products for the two years ended 31 December 2021 and the eleven months ended 30 November 2022; and (ii) the proposed annual caps for the Transaction III for the three years ending 31 December 2025:

Historical transaction amounts	For the year ended 31 December 2020 <i>(in RMB'million)</i>	For the year ended 31 December 2021 <i>(in RMB'million)</i>	For the eleven months ended 30 November 2022 <i>(in RMB'million)</i>
Fees to be paid by the Group to the Conch IT Engineering in respect of the procurement of information technology products	1.0	6.4	6.5
	For the year ending 31 December 2023 <i>(in RMB'million)</i>	For the year ending 31 December 2024 <i>(in RMB'million)</i>	For the year ending 31 December 2025 <i>(in RMB'million)</i>
Proposed annual caps	22	15	13

Details of the bases for determining the proposed annual caps are set out under the sub-section headed “Annual Cap and Basis of Determination” under the section headed “2023 Information System Procurement Framework Agreement” of the Board Letter.

Upon our further request, we obtained a calculation for the proposed annual cap for FY2023 and noted the following:

- The proposed annual cap was determined based on the estimated demand of the Transaction III for FY2023 for four types of systems, (i.e. DCS, material management information system, security early warning system and production marketing management system). We also obtained figures showing the estimated demand of each type of systems for FY2023 (i.e. sum of estimated demand of DCS, material management information system and security early warning system was approximately RMB12.2 million and estimated amounts of production marketing management system was approximately RMB9.1 million).

- The Managements further advised the estimated quantity of DCS, material management information system and security early warning system for FY2023 and the potential projects of the Company. We understood that the DCS, material management information system and security early warning system will be used for the Group's relevant projects. As advised by the Managements, among the aforesaid relevant projects, the DCS will be used for the Group's potential industrial solid and hazardous waste treatment projects (which was included in the Group's 2023 development plan); and the material management information system and security early warning system will be used for industrial solid and hazardous waste treatment projects which were under construction or in operation. As the estimated quantity of DCS (i.e. for 10 projects), material management information system (i.e. for 30 project companies) and security early warning system (i.e. for 4 projects) for FY2023 is the same as the number of relevant potential projects or projects under construction or in operation, we are of the view that the estimated quantity of such systems are fair and reasonable.

Upon our further request, the Company provided us individual agreements (which were entered into between the Group and Conch IT Engineering) in respect of the procurement of DCS, material management information system and security early warning system. After cross-checking the implied unit price of the aforesaid three systems and procurement price as shown in the individual agreements, we noted that the estimated unit price of the aforesaid three systems were equal to the procurement price previously offered by Conch IT Engineering. Accordingly, we are of the view that the estimated unit prices of the aforesaid three systems are fair and reasonable.

Having considered the estimated quantity and the estimated unit prices of DCS, material management information system and security early warning system being fair and reasonable as mentioned above, we are of the view that the estimated contract values for the procurement of DCS, material management information system and security early warning systems (i.e. approximately RMB13.4 million) are fair and reasonable.

As further advised by the Managements, they assumed that there will be a proportion of 10% of total contract value for the procurement of DCS and security early warning systems as quality guarantee fee and such fee will be settled after the quality guarantee period, normally being (a) 18 months after the delivery of products (normally one to three months after the signing of contracts); or (b) one year after the commencement of full operation of equipment (normally six months after the delivery of products).

We also noted from the individual contracts that (i) there were similar arrangements (i.e. 10% of total contract value as quality guarantee fee and such fee will be settled upon (a) 18 months after the delivery of products; or (b) one year after the commencement of full operation of equipment) under the individual agreements for the procurement of DCS and security early warning systems to aforesaid assumed quality guarantee arrangement; and (ii) no quality guarantee amount was required for the procurement of material management information system.

Excluding the quality guarantee fee from the procurement of DCS and security early warning systems of approximately RMB1.2 million (calculated by the total contract value of DCS and security early warning systems (i.e. approximately RMB11.9 million) multiplied by the proportion of quality guarantee fee (i.e. 10% of the total contract value)), the estimated amounts of the procurement of DCS, material management information system and security early warning systems would be approximately RMB12.2 million. Therefore, we are of the view that the estimated amounts of the procurement of DCS, material management information system and security early warning systems are fair and reasonable.

- In respect to the production marketing management system, we understood that such estimation (i.e. approximately RMB9.1 million) was made with reference to the discussion between the Company and Conch IT Engineering and the preliminary quotation as provided by Conch IT Engineering. Upon our request, we obtained and reviewed the quotation document. We noted from the quotation document that the estimated contract value of production marketing management system is in line with the quotation provided by Conch IT Engineer having considered the number of the Company's subsidiaries which may install the production marketing management system (after excluding the possible quality guarantee amount of 10% to such system). Accordingly, we consider the estimated amounts of the procurement of production marketing management system are fair and reasonable.

Based on our analyses above, we are of the view that the estimated amounts to be recorded from individual contracts of procurement for information technology systems for FY2023 are fair and reasonable. Accordingly, we are of the view that the proposed annual cap of the Transaction III for FY2023, which is close to the estimated demand of Transaction III, is fair and reasonable.

In addition, the proposed annual caps of the Transaction III for FY2024 and for FY2025 moved in a decreasing trend. The Managements advised that the aforesaid decreasing trend was mainly due to the one-off nature of the procurement of the production marketing management system as quantity of the system covered all Company's subsidiaries which may install the system and the Managements expected that there will be no additional demand of production marketing management system in a short-to-medium period. Other than the production marketing management system, the Managements consider that the Group has a continuous demand of DCS, material management information system and security early warning system. Having considered that (i) the number of aforesaid three systems as procured by the Group are at similar levels in FY2021 and FY2022, which indicate the Group's frequent demand of such services; (ii) the aforesaid three systems are intended to be used for relevant projects, we concur with the Managements that the Group has a continuous demand of DCS, material management information system and security early warning system.

Assuming the estimated contract values (excluding quality guarantee amounts) of the procurement of DCS, material management information system and security early warning system for potential projects for FY2024 would be at the same level to that for FY2023 (i.e. approximately RMB12.2 million, excluding quality guarantee amounts to be derived from the procurement for such systems in FY2024) and by adding the possible quality guarantee amounts of approximately RMB2.1 million derived from FY2023, comprising (a) the quality guarantee amounts from the procurement of DCS and security early warning system of approximately RMB1.2 million as mentioned above and (b) possible quality guarantee amount for procurement of production marketing management system of approximately RMB0.9 million (calculated by the estimated total contract value of production marketing management system multiplied the proportion of quality guarantee fee (i.e. 10% of the total contract value)), the estimated amounts to be recorded from individual contracts of procurement for information technology systems for FY2024 would be approximately RMB14.3 million.

Assuming the estimated contract values (excluding quality guarantee amounts) of the procurement of DCS, material management information system and security early warning system for potential projects for FY2025 will be at the same level of the that for FY2023 (i.e. approximately RMB12.2 million, excluding quality guarantee amounts to be derived from the procurement for such systems in FY2025) and by adding the possible quality guarantee amounts of the procurement of DCS and security early warning system (i.e. being 10% of contract value) approximately RMB1.2 million, the estimated amounts to be recorded from individual contracts of procurement for information technology systems for FY2025 would be approximately RMB13.4 million.

Having considered that (i) the Group's continuous demand of DCS, material management information system and security early warning system; (ii) the arrangement of quality guarantee amounts as mentioned above, we are of the view that the estimated amounts to be recorded from individual contracts of procurement for information technology systems for FY2024 and FY2025 are fair and reasonable.

As the proposed annual caps for FY2024 and FY2025 (i.e. RMB15 million and RMB13 million) were close to the estimated amounts to be recorded from individual contracts of procurement for information technology systems for FY2024 and FY2025 respectively (i.e. RMB14.3 million and RMB13.4 million), we are of the view that the proposed annual caps for FY2024 and FY2025 are fair and reasonable.

Shareholders should note that as the proposed annual caps for the three years ending 31 December 2025 are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of costs to be incurred from the Transaction III. Consequently, we express no opinion as to how closely the actual costs to be incurred from the Transaction III will correspond with the proposed annual caps.

In light of the above, we are of the view that the terms of Transaction III are on normal commercial terms and are fair and reasonable.

Listing Rules implication

The Managements confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Transactions must be restricted by their respective annual caps for the period concerned under the relevant framework agreements; (ii) the terms of the Transactions must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Transactions must be included in the Company's subsequent published annual reports.

Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Transactions (i) have not been approved by the Board; (ii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iii) have exceeded the annual caps.

In the event that the maximum amounts of the Transactions are anticipated to exceed the their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Transactions, as confirmed by the Managements, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Transactions and thus the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited
Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 25 years of experience in investment banking industry.

1. RESPONSIBILITY STATEMENT

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Group. The Directors having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement herein or this circular misleading.

2. SHARE CAPITAL

As at the Latest Practicable Date, the number of issued Shares was 1,826,765,059 Shares of nominal value of HK\$0.01 each which have been fully paid.

3. EXPERT AND CONSENTS

The following are the qualification of the expert who has given opinions and advice contained in this circular:

Name	Qualification
Gram Capital	a licensed corporation to carry out type 6 (advising on corporate finance) regulated activity as defined under the Securities and Futures Ordinance

As at the Latest Practicable Date, Gram Capital:

- a. has given and has not withdrawn its written consent to the issue of this circular with the inclusion of its letter dated 16 February 2023 (as set out on pages 24 to 55 of this circular) and references to its name, in the form and context in which it appears.
- b. neither had any shareholding in any member of the Group nor had any right (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for any securities in any member of the Group.
- c. did not have any direct or indirect interest in any assets which have been acquired or disposed of by, or leased to any member of the Group, or were proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Company were made up.

4. NO MATERIAL ADVERSE CHANGE

The Directors are not aware of any material adverse change in the financial or trading position of the Group since 31 December 2021, being the date to which the latest published audited annual financial statements of the Company were made up.

5. SERVICE CONTRACTS OF DIRECTORS

As at the Latest Practicable Date, none of the Directors had any existing or proposed service contract with any member of the Group which is not expiring nor terminable by the Group within a year without payment of any compensation (other than statutory compensation).

6. COMPETING INTERESTS

As at the Latest Practicable Date, none of the Directors or, so far as is known to them, any of their respective close associates was interested in any business (apart from the Group's business) which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules if each of them was a controlling Shareholder).

7. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE GROUP

As at the Latest Practicable Date, none of the Directors had any direct or indirect interest in any assets which have been, since 31 December 2021 (being the date to which the latest published audited accounts of the Group were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

Save as disclosed in this circular, as at the Latest Practicable Date, none of the Directors was materially interested in any contract or arrangement, subsisting at the date of this circular, which is significant in relation to the business of the Group.

8. DISCLOSURE OF INTERESTS

Interests of Directors and Chief Executives of the Company

As at the Latest Practicable Date, the interests and short positions of the Directors and the chief executives of the Company in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which have been notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or which

were recorded in the register required to be kept pursuant to section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code as set out in Appendix 10 of the Listing Rules were as follows:

Name	Capacity/Nature of Interest	Number of Shares	Long/ short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾
Mr. Li Qunfeng ⁽²⁾	Beneficial owner	2,050,000	Long position	0.11%
	Interests held jointly with another person	478,352,979	Long position	26.19%
Mr. Li Xiaobo ⁽²⁾	Beneficial owner	170,132	Long position	0.01%
	Interests held jointly with another person	480,232,847	Long position	26.29%
Mr. Ma Wei ⁽²⁾	Beneficial owner	2,107,127	Long position	0.12%
	Interests held jointly with another person	478,295,852	Long position	26.18%
Ms. Liao Dan ⁽³⁾	Interest of spouse	480,402,979	Long position	26.30%

Notes:

- (1) The calculation is based on the total number of 1,826,765,059 Shares in issue as of Latest Practicable Date.
- (2) Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ma Wei are the Parties Acting in Concert. Accordingly, Mr. Li Qunfeng, Mr. Li Xiaobo and Mr. Ma Wei are deemed to be interested in (i) the 365,353,500 Shares held by Conch Cement, (ii) the 21,184,826 Shares held by Ren Yong, (iii) the 9,412,500 Shares held by Qi Shengli, (iv) the 2,050,000 Shares held by Li Qunfeng, (v) the 170,132 Shares held by Li Xiaobo, (vi) the 1,356,142 Shares held by Zhou Xiaochuan, (vii) the 32,725,000 Shares held by Guo Dan, (viii) the 35,033,752 Shares held by Yan Zi, (ix) the 10,080,000 Shares held by Ji Xian, (x) the 2,107,127 Shares held by Ma Wei and (xi) the 930,000 Shares held by Wang Jingqian.
- (3) Ms. Liao Dan is deemed to be interested in the Shares held by Mr. Wang Jingqian, the spouse of Ms. Liao Dan and a Party Acting in Concert. Mr. Wang Jingqian is deemed to be interested in (i) the 365,353,500 Shares held by Conch Cement, (ii) the 21,184,826 Shares held by Ren Yong, (iii) the 9,412,500 Shares held by Qi Shengli, (iv) the 2,050,000 Shares held by Li Qunfeng, (v) the 170,132 Shares held by Li Xiaobo, (vi) the 1,356,142 Shares held by Zhou Xiaochuan, (vii) the 32,725,000 Shares held by Guo Dan, (viii) the 35,033,752 Shares held by Yan Zi, (ix) the 10,080,000 Shares held by Ji Xian, (x) the 2,107,127 Shares held by Ma Wei and (xi) the 930,000 Shares held by Wang Jingqian.

Save as disclosed above, as at the Latest Practicable Date, none of the Directors or the chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO) that was required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have taken under such provisions of the SFO), or required to be recorded in the register required to be kept under Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Substantial shareholders

As at Latest Practicable Date, to the best knowledge of the Directors, the following persons (other than the Directors or chief executives of the Company) had interests or short positions in the Shares or underlying Shares, which were required to be disclosed to the Company and the Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or to be recorded in the register required to be kept by the Company under section 336 of the SFO:

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾
China Conch Venture Holdings Limited (“Conch Venture”)	Beneficial owner	13,900,000	Long position	0.76%
	Interest of controlled corporation ⁽²⁾	480,402,979	Long position	26.30%
China Conch Venture Holdings International Limited	Interest of controlled corporation ⁽²⁾	480,402,979	Long position	26.30%
Conch Cement	Beneficial owner	79,219,500	Long position	4.34%
	Interest of controlled corporation ⁽³⁾	286,134,000	Long position	15.66%
	Interests held jointly with another person ⁽⁴⁾	115,049,479	Long position	6.30%
Conch Holdings	Interest of controlled corporation ⁽²⁾	480,402,979	Long position	26.30%
Wuhu Conch Venture Industrial Co., Ltd. (蕪湖海創實業有限責任公司)	Interest of controlled corporation ⁽²⁾	480,402,979	Long position	26.30%

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾
Conch International Holdings (HK) Limited	Beneficial owner	286,134,000	Long position	15.66%
Staff Association of Anhui Conch Holdings Co., Ltd. (安徽海螺集團有限責任公司工會委員會) (“SA Conch”)	Interest of controlled corporation ⁽⁵⁾	110,194,500	Long position	6.03%
Anhui Conch Venture Investment Co., Ltd. (安徽海螺創業投資有限責任公司) (“CV Investment”)	Beneficial owner Interest of controlled corporation ⁽⁶⁾	4,680,000 105,514,500	Long position Long position	0.26% 5.78%
Ren Yong	Beneficial owner Interests held jointly with another person ⁽⁴⁾	21,184,826 459,218,153	Long position Long position	1.16% 25.14%
Qi Shengli	Beneficial owner Interests held jointly with another person ⁽⁴⁾	9,412,500 470,990,479	Long position Long position	0.52% 25.78%
Zhou Xiaochuan	Beneficial owner Interest of spouse ⁽⁷⁾ Interests held jointly with another person ⁽⁴⁾	783,000 573,142 479,046,837	Long position Long position Long position	0.04% 0.03% 26.22%
Han Zhuhua	Beneficial owner Interest of spouse ⁽⁸⁾	573,142 479,829,837	Long position Long position	0.03% 26.27%
Guo Dan	Interest of controlled corporation ⁽⁹⁾ Interests held jointly with another person ⁽⁴⁾	32,725,000 447,677,979	Long position Long position	1.79% 24.51%

Name	Capacity/Nature of Interest	Number of Shares	Long/short position	Approximate Percentage of Shareholding in the Company ⁽¹⁾
Yan Zi	Interest of controlled corporation ⁽¹⁰⁾	35,033,752	Long position	1.92%
	Interests held jointly with another person ⁽⁴⁾	445,369,227	Long position	24.38%
Ji Xian	Interest of controlled corporation ⁽¹¹⁾	10,080,000	Long position	0.55%
	Interests held jointly with another person ⁽⁴⁾	470,322,979	Long position	25.75%
Wang Jingqian	Beneficial owner	930,000	Long position	0.05%
	Interests held jointly with another person ⁽⁴⁾	479,472,979	Long position	26.25%

Notes:

- (1) The calculation is based on the total number of 1,826,765,059 Shares in issue as of the Latest Practicable Date.

As of the Latest Practicable Date,

- (2) among the aforesaid Shares, (i) the 194,268,979 Shares were held by Conch Cement and its Parties Acting in Concert; and (ii) the 286,134,000 Shares were held by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement. Conch Holdings was the holding company of Conch Cement. As Conch Holdings was held by Wuhu Conch Venture Industrial Co., Ltd. as to 49%, and Wuhu Conch Venture Industrial Co., Ltd. was wholly owned by China Conch Venture Holdings International Limited, which is ultimately wholly owned by Conch Venture, each of Conch Holdings, Wuhu Conch Venture Industrial Co., Ltd., China Conch Venture Holdings International Limited and Conch Venture is deemed to be interested in the Shares held by Conch Cement and its Parties Acting in Concert and Conch International Holdings (HK) Limited by virtue of SFO.
- (3) the 286,134,000 Shares were held by Conch International Holdings (HK) Limited, a wholly owned subsidiary of Conch Cement. Accordingly, Conch Cement is deemed to be interested in the Shares held by Conch International Holdings (HK) Limited by virtue of SFO.
- (4) each of Conch Cement and its Parties Acting in Concert is deemed to be interested in the Shares held by Conch Cement and its Parties Acting in Concert by virtue of SFO, namely, (i) the 365,353,500 Shares held by Conch Cement, (ii) the 21,184,826 Shares held by Ren Yong, (iii) the 9,412,500 Shares held by Qi Shengli, (iv) the 2,050,000 Shares held by Li Qunfeng, (v) the 170,132 Shares held by Li Xiaobo, (vi) the 1,356,142 Shares held by Zhou Xiaochuan, (vii) the 32,725,000 Shares held by Guo Dan, (viii) the 35,033,752 Shares held by Yan Zi, (ix) the 10,080,000 Shares held by Ji Xian, (x) the 2,107,127 Shares held by Ma Wei and (xi) the 930,000 Shares held by Wang Jingqian.

- (5) among the aforesaid shares, 4,680,000 Shares were directly owned by CV Investment and the remaining 93,359,000 Shares, 5,913,000 Shares and 6,242,500 Shares were owned respectively by (i) Conch Venture Holdings (Zhuhai) Co., Ltd. (海螺創投控股(珠海)有限公司) (“**CV Holdings (Zhuhai)**”), (ii) Anhui Conch Venture Medical Investment Management Co., Ltd. (安徽海螺創業醫療投資管理有限責任公司) (“**CV Medical**”) and (iii) Conch Venture International Limited (海螺創業國際有限公司) (“**CVI**”), all of which are wholly owned by CV Investment. CV Investment is deemed to be interested in the shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO. As 82.93% of CV Investment’s registered capital is held by SA Conch, SA Conch is deemed to be interested in the shares in which CV Investment is interested by virtue of the SFO.
- (6) among these shares, 93,359,000 Shares, 5,913,000 Shares and 6,242,500 Shares were owned respectively by CV Holdings (Zhuhai), CV Medical and CVI. CV Investment is deemed to be interested in the Shares in which CV Holdings (Zhuhai), CV Medical and CVI are interested by virtue of the SFO.
- (7) these Shares were held by Han Zhuhua, the spouse of Zhou Xiaochuan. Zhou Xiaochuan is deemed to be interested in the Shares held by his spouse by virtue of the SFO.
- (8) these Shares were held by Zhou Xiaochuan, the spouse of Han Zhuhua and a Party Acting in Concert of Conch Cement. Han Zhuhua is deemed to be interested in the Shares held by her spouse by virtue of the SFO.
- (9) these Shares were held by Dazzling Star Investments Limited, which is wholly owned by Guo Dan. Guo Dan is deemed to be interested in the Shares held by Dazzling Star Investments Limited by virtue of the SFO.
- (10) these Shares were held by Fortune Gold Limited, which is wholly owned by Yan Zi. Yan Zi is deemed to be interested in the Shares held by Fortune Gold Limited by virtue of the SFO.
- (11) these Shares were held by Golden Convergence Limited, which is wholly owned by Ji Xian. Ji Xian is deemed to be interested in the Shares held by Golden Convergence Limited by virtue of the SFO.

According to Section 336 of the SFO, Shareholders are required to file disclosure of interests forms when certain criteria are fulfilled. When the shareholdings of the Shareholders in the Company change, it is not necessary for the Shareholders to notify the Company and the Stock Exchange unless certain criteria are fulfilled. Therefore, the latest shareholdings of the Shareholders in the Company may be different from the shareholdings filed with the Stock Exchange.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other persons (not being Directors and the chief executive of the Company) had interests or short positions in the Shares or underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO and recorded in the register required to be kept by the Company under Section 336 of the SFO.

9. DOCUMENTS AVAILABLE ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (<http://www.hkexnews.hk>) and the Company (<http://www.conchenviro.com>) for a period of 14 days from the date of this circular:

- (a) the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement;
- (b) the 2023 Engineering Design Services Framework Agreement;
- (c) the 2023 Information System Procurement Framework Agreement;
- (d) letter from the Independent Board Committee;
- (e) letter from the Independent Financial Adviser;
- (f) letter of consent from the Independent Financial Adviser; and
- (g) this circular.

CONCH VENTURE

海螺环保

China Conch Environment Protection Holdings Limited

中國海螺環保控股有限公司

(Incorporated in the Cayman Islands with limited liability)

(Stock code: 587)

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

NOTICE IS HEREBY GIVEN that the first extraordinary general meeting (the “**EGM**”) of China Conch Environment Protection Holdings Limited (the “**Company**”) of 2023 will be held at Meeting Room 585, Conch International Conference Centre, No. 1011 South Jiuhua Road, Yijiang District, Wuhu City, Anhui Province, the People’s Republic of China on Wednesday, 8 March 2023 at 10:00 a.m. (Hong Kong time) for the following purposes:

ORDINARY RESOLUTIONS

1. To consider and approve, if thought fit, the following resolutions:
 - (a) the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement and the transactions contemplated thereunder, details of which are more particularly described in the circular of the Company dated 16 February 2023 (the “**Circular**”), be and is hereby approved, ratified and confirmed;
 - (b) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement for the three years ending 31 December 2025 as set out in the Circular be and are hereby approved, ratified and confirmed;
 - (c) the 2023 Engineering Design Services Framework Agreement and the transactions contemplated thereunder, details of which are more particularly described in the Circular, be and is hereby approved, ratified and confirmed;
 - (d) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Engineering Design Services Framework Agreement for the three years ending 31 December 2025 as set out in the Circular be and are hereby approved, ratified and confirmed;
 - (e) the 2023 Information System Procurement Framework Agreement and the transactions contemplated thereunder, details of which are more particularly described in the Circular, be and is hereby approved, ratified and confirmed;
 - (f) the proposed annual caps for the continuing connected transactions contemplated under the 2023 Information System Procurement Framework Agreement for the three years ending 31 December 2025 as set out in the Circular be and are hereby approved, ratified and confirmed; and

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

- (g) any one executive Director be and is hereby authorized for and on behalf of the Company to execute, and where required, to affix the common seal of the Company to, any documents, instruments or agreements, and to do any acts and things deemed by him or her to be necessary, expedient or appropriate in order to give effect to and implement the transactions contemplated under the 2023 Industrial Solid and Hazardous Waste Treatment Framework Agreement, the 2023 Engineering Design Services Framework Agreement and the 2023 Information System Procurement Framework Agreement (including the proposed annual caps thereunder for the three years ending 31 December 2025).

Yours faithfully,

By order of the Board

China Conch Environment Protection Holdings Limited

中國海螺環保控股有限公司

LIAO Dan

Joint Company Secretary

Anhui Province, the People's Republic of China

16 February 2023

Notes:

1. All resolutions at the meeting will be taken by poll (except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands) pursuant to the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the "**Listing Rules**"). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
2. Any shareholder of the Company entitled to attend and vote at the meeting is entitled to appoint a proxy/more than one proxy to attend and on a poll, vote instead of him. A proxy need not be a shareholder of the Company. If more than one proxy is appointed, the number of shares in respect of which each such proxy so appointed must be specified in the relevant form of proxy. Every shareholder present in person or by proxy shall be entitled to one vote for each share held by him.
3. In the case of joint holders of shares, any one of such joint holders may vote, either in person or by proxy, in respect of such shares as if it/he/she were solely entitled thereto, but if more than one of such joint holders are present at the above meeting, personally or by proxy, that one of the said persons so present whose name stands first in the register in respect of such shares shall alone be entitled to vote in respect thereof.
4. In order to be valid, the form of proxy together with the power of attorney or other authority, if any, under which it is signed or a certified copy of that power of attorney or authority, must be deposited at the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong not less than 48 hours before the time appointed for the meeting or the adjourned meeting thereof. Accordingly, this form of proxy must be delivered to the Branch Share Registrar of the Company in Hong Kong no later than Monday, 6 March 2023 at 10:00 a.m. (Hong Kong time). Completion and return of the form of proxy shall not preclude a shareholder of the Company from attending and voting in person at the meeting and, in such event, the instrument appointing a proxy shall be deemed to be revoked.

NOTICE OF THE FIRST EXTRAORDINARY GENERAL MEETING OF 2023

5. For determining the entitlement to attend and vote at the meeting, the Register of Members of the Company will be closed from Friday, 3 March 2023 to Wednesday, 8 March 2023, both dates inclusive, during which period no transfer of shares will be registered. In order to be eligible to attend and vote at the EGM, unregistered holders of shares of the Company shall ensure that all transfer documents accompanied by the relevant share certificates must be lodged with the Company's Branch Share Registrar in Hong Kong, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong for registration not later than 4:30 p.m. on Thursday, 2 March 2023 (Hong Kong time).
6. A circular containing further details concerning item 1 set out in the above notice will be sent to all shareholders of the Company.
7. References to time and dates in this notice are to Hong Kong time and dates.

As at the date of this notice, the Board comprises Mr. LI Xiaobo (General Manager), Ms. LIAO Dan and Mr. FAN Zhan as executive Directors; Mr. LI Qunfeng (Chairman), Mr. XIAO Jiaxiang and Mr. MA Wei as non-executive Directors; and Mr. HAO Jiming, Mr. DAI Xiaohu and Ms. WANG Jiafen as independent non-executive Directors.