

*Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this announcement, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this announcement.*



**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  
ALTERNATIVE FUEL CO-TREATMENT SERVICE  
FRAMEWORK AGREEMENT**

On 26 June 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the Alternative Fuel Co-treatment Service Framework Agreement in relation to, among other things, the provision of alternative fuel co-treatment services and ancillary products by the Group to the Conch Cement Group.

**LISTING RULES IMPLICATIONS**

As of the date of this announcement, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 27% of the voting rights attached to the total issued shares of the Company together with its subsidiaries and its Parties Acting in Concert (as defined in the Takeovers Code). Accordingly, Conch Cement is a connected person of the Company and the transaction contemplated under the Alternative Fuel Co-treatment Service Framework Agreement between the Group and the Conch Cement Group constitute a continuing connected transaction of the Company as pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the Alternative Fuel Co-treatment Service Framework Agreement is more than 0.1% but less than 5%, the transaction contemplated thereunder is therefore subject to reporting, announcement and annual review requirements but is exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **INTRODUCTION**

The Board is pleased to announce that, on 26 June 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the Alternative Fuel Co-treatment Service Framework Agreement in relation to, among other things, the provision of alternative fuel co-treatment services and ancillary products by the Group to the Conch Cement Group.

## **CONTINUING CONNECTED TRANSACTION**

Principal terms of the Alternative Fuel Co-treatment Service Framework Agreement are set out as follows:

Date: 26 June 2023

Parties: (1) The Company (on behalf of the Group), and  
(2) Conch Cement (on behalf of the Conch Cement Group)

Term: From 26 June 2023 to 31 December 2023

The transaction period covered by the Alternative Fuel Co-treatment Service Framework Agreement is from 1 January 2023 to 31 December 2023. The connected transactions conducted between the Group and Conch Cement Group during the period from 1 January 2023 to 25 June 2023 were fully exempted under Rule 14A.76(1) of the Listing Rules.

Subject matter: The Group agreed to provide alternative fuel co-treatment services and ancillary products to the Conch Cement Group, which primarily include filling up cement kilns with alternative fuels, providing the channel service to transport alternative fuels into cements kilns, replacing coal fuel for cement kilns with alternative fuel products, including fuel rods, crushed materials, etc. Other details such as the precise scope of services and products, fee calculation, method of payment etc. will be agreed between the relevant parties separately.

Payment and settlement terms: Payment and settlement terms under the Alternative Fuel Co-treatment Service Framework Agreement shall be specified in each of the implementation agreements to be entered into under the Alternative Fuel Co-treatment Service Framework Agreement in due course.

## **Pricing Policy**

With respect to the service fees payable for the alternative fuel co-treatment services, the service fee payable by the Conch Cement 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 the operating cost and addition cost, including fees in relation to depreciation, material costs and labor costs. 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. The profit rate was generally ranging from 10% to 15%.

With respect to the purchase fees payable for the ancillary products, the purchase fees payable by the Conch Cement Group shall be determined on arm's length negotiation between the parties with reference to (i) the unit price, the type and quality of such products; (ii) the production costs (including material costs and administrative costs); and (iii) the prevailing market fee rates of similar products.

As part of the Group's internal approval and monitoring procedures relating to the transactions with Conch Cement Group, the Group will, to the extent commercially practicable, take into account the profit rates of similar and comparable transactions entered into with or carried out by Independent Third Parties in the corresponding period of reference and consider assessment criteria (including the location, price, quality, suitability, payment terms, and time required for the provision of the service and the ancillary products) before it enters into any implementation agreement with Conch Cement Group, and quotations, together with the offer to Conch Cement Group, will be subject to review and approval by the Group's internal approval procedures. The Group has implemented adequate internal control measures for monitoring all of its continuing connected transactions, including but not limited to the regular reporting of transaction amount to the Group's finance department for monitoring the annual cap of the relevant transactions.

## **Historical Amounts**

There was no historical amount of the fees paid by the Conch Cement Group to the Group in respect of the alternative fuel co-treatment services and ancillary products for the three years ended 31 December 2022 given relevant transactions have not been conducted by the Group during such period.

## **Annual Cap and Basis of Determination**

The proposed annual cap for the fees to be incurred for the year ending 31 December 2023 in relation to alternative fuel co-treatment services and ancillary products under the Alternative Fuel Co-treatment Service Framework Agreement is RMB28.5 million.

The above annual cap for the year ending 31 December 2023 was determined taking into account (i) the number of current projects for which the Conch Cement Group has engaged the Group to provide alternative fuel co-treatment services and ancillary products; and (ii) the estimated alternative fuel co-treatment services and ancillary products to be provided and supplied by the Group to the Conch Cement Group in 2023.

### **Reasons and Benefits for entering into the Alternative Fuel Co-treatment Service Framework Agreement**

The construction of China's ecological civilization is entering a critical period in which carbon reduction is the key strategic direction. The research and use of alternative fuels and alternative fuel co-treatment services will be a necessary path for traditional enterprises to achieve energy saving and carbon reduction. The Group closely follows the pace of the national development of green and low-carbon industries and carries out the firm concept of green and low-carbon development. In addition to consolidating its core strengths in cement kiln co-processing, the Group has been forward-looking in developing the alternative fuel industry. The Group is in the view that entering into the Alternative Fuel Co-treatment Service Framework Agreement with Conch Cement is conducive to enhancing the Group's profitability and further strengthening the Group's leading position in the industry.

### **OPINION FROM THE BOARD**

The Directors (including the independent non-executive Directors) are of the view that the terms of the Alternative Fuel Co-treatment Service Framework Agreement (including the annual cap thereunder) are conducted in the ordinary and usual business of the Company and are on normal commercial terms, fair and reasonable and in the interests of the Company and the Shareholders as a whole.

As Mr. Li Qunfeng, Mr. Li Xiaobo, Mr. Ma Wei and Ms. Liao Dan, 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 date of this announcement, have therefore abstained from voting on the above resolution approving the Alternative Fuel Co-treatment Service Framework Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the other Directors has material interests in the transactions contemplated under the Alternative Fuel Co-treatment Service Framework Agreement and therefore none of the other Directors abstained from voting in the relevant resolution.

### **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 the safe, harmless and efficient industrial solid and hazardous waste treatment.

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 date of this announcement, 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 (as defined in the Takeovers Codes). Conch Cement is ultimately controlled by the State-owned Assets Supervisions Administration Commission of the People's Government of Anhui Province (安徽省人民政府國有資產監督管理委員會).

## **LISTING RULES IMPLICATIONS**

As of the date of this announcement, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 27% of the voting rights attached to the total issued shares of the Company together with its subsidiaries and its Parties Acting in Concert (as defined in the Takeovers Code). Accordingly, Conch Cement is a connected person of the Company and the transaction contemplated under the Alternative Fuel Co-treatment Service Framework Agreement between the Group and the Conch Cement Group constitute a continuing connected transaction of the Company as pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the Alternative Fuel Co-treatment Service Framework Agreement is more than 0.1% but less than 5%, the transaction contemplated thereunder is therefore subject to reporting, announcement and annual review requirements but is exempt from the requirement of independent Shareholders' approval under Chapter 14A of the Listing Rules.

## **DEFINITIONS**

In this announcement, unless the context otherwise requires, the following terms shall have the following meanings:

“Board”	the board of Directors of the Company
“Alternative Fuel Co-treatment Service Framework Agreement”	the alternative fuel co-treatment service framework agreement entered into on 26 June 2023 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 provision of alternative fuel co-treatment services and ancillary products by the Group to the Conch Cement Group
“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 on 2 March 2020, whose shares are listed on the Main Board (stock code: 587)

“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 and its subsidiaries
“Conch Venture”	China Conch Venture Holdings Limited (中國海螺創業控股有限公司), an exempted company incorporated in the Cayman Islands with limited liability, the Shares of which are listed on the Main Board of the Stock Exchange (stock code: 586)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Parties”	any entity or person who is not a connected person of the Company within the meaning ascribed thereto under the Listing Rules
“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
“Parties Acting in Concert”	the parties acting in concert under the Takeover Code of Conch Cement, namely Conch Venture, 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, and for the purposes of this announcement only, excluding Hong Kong, the Macau Special Administrative Region of the PRC, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“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 the Share(s)

“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“Takeovers Code”	The Code on Takeovers and Mergers and Share Buy-backs issued by the Securities and Futures Commission of Hong Kong, as amended, supplemented or otherwise modified from time to time
“%”	percent

For and on behalf of the Board  
**China Conch Environment Protection Holdings Limited**  
**LIAO Dan**  
*Joint Company Secretary*

Anhui Province, the People’s Republic of China  
26 June 2023

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