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**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)**

**RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Reference is made to the announcement of the Company dated 26 June 2023 in relation to the 2023 Existing Framework Agreement. In contemplation of the 2023 Existing Framework Agreement will expire on 31 December 2023, the Board is pleased to announce that on 29 December 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to renew the 2023 Existing Framework Agreement by entering into the 2024 Renewed Framework Agreement with a term of one year from 1 January 2024 to 31 December 2024.

**LISTING RULES IMPLICATIONS**

As of the date of this announcement, Conch Cement is the controlling shareholder of the Company which holds and controls approximately 29% 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 2024 Renewed Framework Agreement between the Group and the Conch Cement Group constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the 2024 Renewed 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**

Reference is made to the announcement of the Company dated 26 June 2023 in relation to the 2023 Existing Framework Agreement. In contemplation of the 2023 Existing Framework Agreement will expire on 31 December 2023, the Board is pleased to announce that, on 29 December 2023, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to renew the 2023 Existing Framework Agreement by entering into the 2024 Renewed Framework Agreement with a term of one year from 1 January 2024 to 31 December 2024.

## **RENEWAL OF CONTINUING CONNECTED TRANSACTION**

Principal terms of the 2024 Renewed Framework Agreement are set out as follows:

Date:	29 December 2023
Parties:	(1) The Company (on behalf of the Group), and (2) Conch Cement (on behalf of the Conch Cement Group)
Term:	From 1 January 2024 to 31 December 2024
Subject matter:	The Group agreed to provide alternative fuel filling-up 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 2024 Renewed Framework Agreement shall be specified in each of the implementation agreements to be entered into under the 2024 Renewed Framework Agreement in due course.

## **Pricing Policy**

With respect to the service fees payable for the alternative fuel filling-up services, the service fee payable by the Conch Cement Group shall be determined by adding a reasonable profit over the 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, auxiliary 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 for such services 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. The unit price of the ancillary products are mainly determined based on the costs above and a reasonable profit rate, and are ultimately determined based on the arm's length negotiations between the parties to the transactions in accordance with normal commercial terms. The profit rate for such ancillary products was generally ranging from 6% to 10%.

As part of the Group's internal approval and monitoring procedures relating to the transactions with the 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 the Conch Cement Group, and quotations, together with the offer to the 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**

The historical amount of transactions under the 2023 Existing Framework Agreement for the eleven months ended 30 November 2023 was approximately RMB10.5 million<sup>(1)</sup>.

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

The annual cap for the transaction amount to be incurred for the year ending 31 December 2024 in relation to the transactions under the 2024 Renewed Framework Agreement is expected to be RMB79 million.

*Note:* (1) The transaction amount incurred for the eleven months ended 30 November 2023 were lower than expected since certain projects which the Group expected to be put into operation in 2023 had been delayed.

The above annual cap for the year ending 31 December 2024 was determined after taking into account of: (i) the existing nine projects with the Conch Cement Group in respect of alternative fuel filling-up services and ancillary products as of the date of this announcement and the aforesaid historic amount of transactions for the eleven months ended 30 November 2023; (ii) the expected increase in the transaction amount for the year of 2024 to be incurred in certain delayed projects as described above compared to that for the year of 2023, and the expected increase in the scale of services and ancillary products to be provided by the Group to the Conch Cement Group based on current negotiation between the Group and the Conch Cement Group; and (iii) the potential cooperation between the Group and the Conch Cement Group in another five pipeline projects in respect of alternative fuel filling-up services and ancillary products located in Anhui Wuhu, Anhui Chizhou, Anhui Fanchang, Hainan Changjiang and Yunnan Wenshan, with an estimated average transaction amount for potential projects of approximately RMB9.4 million based on current negotiation between the Group and the Conch Cement Group and the expected project timetable.

### **Reasons and Benefits for entering into the 2024 Renewed 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 filling-up 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, actively seize the new industry development opportunities driven by green development and "dual carbon" goals, and accelerate the layout of alternative fuel projects. The Group is in the view that entering into the 2024 Renewed 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 2024 Renewed 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 2024 Renewed Framework Agreement and the transactions contemplated thereunder.

Save as disclosed above, none of the other Directors has material interests in the 2024 Renewed Framework Agreement and the transactions thereunder 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 29% 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 Code). 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 29% 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 2024 Renewed Framework Agreement between the Group and the Conch Cement Group constitute a continuing connected transaction of the Company pursuant to Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the annual cap for the 2024 Renewed 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
“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 of the Stock Exchange (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, its subsidiaries and its associates
“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 Takeovers 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
“2023 Existing 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 Conch Cement and its subsidiaries) in relation to, among other things, the provision of alternative fuel co-treatment services and ancillary products by the Group to Conch Cement and its subsidiaries
“2024 Renewed Framework Agreement”	the alternative fuel filling-up service framework agreement entered into on 29 December 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 filling-up service and ancillary products by the Group to the Conch Cement Group

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  
29 December 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. JIANG Dehong and Mr. MA Wei as non-executive Directors; and Mr. DING Wenjiang, Ms. WANG Jiafen and Ms. LI Chen as independent non-executive Directors.*