

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)

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the announcement of the Company dated 29 December 2023 in relation to the 2024 Renewed Framework Agreement. In contemplation of the expiration of the 2024 Renewed Framework Agreement on 31 December 2024, the Board is pleased to announce that on 27 December 2024: the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to renew the 2024 Renewed Framework Agreement by entering into the 2025 Renewed Framework Agreement with Conch Cement with a term of three years from 1 January 2025 to 31 December 2027.

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 2025 Renewed Framework Agreement with Conch Cement 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 caps for the 2025 Renewed Framework Agreement with Conch Cement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the 2025 Renewed Framework Agreement with Conch Cement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the 2025 Renewed Framework Agreement with Conch Cement, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and (iii) a letter of recommendation from Gram Capital to the Independent Board Committee and Independent Shareholders will be despatched to Shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will despatch the circular to Shareholders on or before 24 January 2025.

INTRODUCTION

Reference is made to the announcement of the Company dated 29 December 2023 in relation to the 2024 Renewed Framework Agreement. In contemplation of the expiration of the 2024 Renewed Framework Agreement on 31 December 2024, the Board is pleased to announce that on 27 December 2024: the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to renew the 2024 Renewed Framework Agreement by entering into the 2025 Renewed Framework Agreement with Conch Cement with a term of three years from 1 January 2025 to 31 December 2027.

2025 Renewed Framework Agreement with Conch Cement

Principal terms of the 2025 Renewed Framework Agreement with Conch Cement are set out as follows:

Date:	27 December 2024
Parties:	(1) The Company (on behalf of the Group), and (2) Conch Cement (on behalf of the Conch Cement Group)
Term:	From 1 January 2025 (subject to obtaining the Independent Shareholders' approval at the extraordinary general meeting) to 31 December 2027
Subject matter:	The Conch Cement Group agreed to provide alternative fuel filling-up services and products by the Group, which primarily include filling up cement kilns with alternative fuels (including drying sludge), providing the channel service to transport alternative fuels into cements kilns, replacing coal fuel for cement kilns with alternative fuel products. 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 2025 Renewed Framework Agreement with Conch Cement shall be specified in each of the implementation agreements to be entered into under the 2025 Renewed Framework Agreement with Conch Cement 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 on the basis of market-based pricing principle, and 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 additional 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 arm's length negotiations between the parties to the transactions in accordance with normal commercial terms. Based on previous transactions, the profit rate for such services generally ranged from 10% to 15%.

With respect to the purchase fees payable for the 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 market prices of such products; and (ii) the unit price, type and quality of such products. If there are no comparable market prices, the unit price of products shall be determined based on the production costs (including but not limited to material costs and administrative costs) 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. Based on previous transactions, the profit rate for such products generally ranged 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 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. For details of the internal control measures, please refer to "Internal Control Measures" in this announcement.

Historical Amounts

The historical amounts of transactions for the year ended 31 December 2023 under the 2023 Existing Framework Agreement and the historical amounts of transactions for the nine months ended 30 September 2024 under the 2024 Renewed Framework Agreement were approximately RMB15.74 million and RMB41.84 million, respectively.

Proposed Annual Cap and Basis of Determination

The proposed annual caps for the aggregate amounts of the fees payable by the Conch Cement Group to the Group in relation to alternative fuel co-treatment services and products for the three years ending 31 December 2027 under the 2025 Renewed Framework Agreement with Conch Cement are set out as follows:

	For the year ending 31 December		
	2025	2026	2027
	<i>(RMB in millions)</i>		
Fees payable by the Conch Cement Group to the Group in relation to alternative fuel co-treatment services and products	189	259	282

The above proposed annual caps for the three years ending 31 December 2027 were determined after taking into account of: (i) the historical transaction amounts incurred in 2023 and for the nine months ended 30 September 2024; (ii) the existing business cooperation with the Conch Cement Group, with 11 projects related to alternative fuel filling-up channel services and four projects related to alternative fuel products successfully put into operation as of the date of this announcement; (iii) the expected increase in the scale of services and products to be provided by the Group to the Conch Cement Group based on current negotiation between the Group and the Conch Cement Group, due to certain alternative fuel products projects launched in 2024 entering full-year operation in 2025 ; and (iv) the potential cooperation between the Group and the Conch Cement Group in another four, two and three pipeline projects in respect of alternative fuel filling-up services and products in 2025–2027, based on current negotiation between the Group and the Conch Cement Group and the expected project timetable.

Reasons and Benefits for entering into the 2025 Renewed Framework Agreement with Conch Cement

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 2025 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 (excluding the independent non-executive Directors whose view will be disclosed in the circular) are of the view that the terms of the 2025 Renewed Framework Agreement with Conch Cement (including the proposed annual caps for the three years ending 31 December 2027) 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.

The independent non-executive Directors have formed the Independent Board Committee for the purpose of advising the Independent Shareholders in respect of the 2025 Renewed Framework Agreement with Conch Cement (including the proposed annual caps for the three years ending 31 December 2027) and their views and recommendation will be included in the circular to be despatched by the Company.

As Mr. Li Qunfeng, Mr. Wang Chunjian, 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 the executive 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 2025 Renewed Framework Agreement with Conch Cement and the transactions contemplated thereunder.

Save as disclosed above, none of the other Directors has material interests in the 2025 Renewed Framework Agreement with Conch Cement, and the transactions thereunder and therefore none of the other Directors abstained from voting in the relevant resolution.

INTERNAL CONTROL MEASURES

The Group will establish the following internal review procedures to ensure that the pricing under the above continuing connected transactions is fair and reasonable:

- the Group has adopted and implemented a management system on connected transactions. Based on the system, the Board and the various internal departments of the Company (including the finance, legal and internal control departments) will be responsible for the control and daily management in respect of the continuing connected transactions;
- the Board and various internal departments of the Company (including the finance, legal and internal control departments) will be jointly responsible for evaluating the terms under the 2025 Renewed Framework Agreement with Conch Cement for the continuing connected transactions, in particular, the fairness of the pricing policies and annual caps under each transaction;
- the Group will, to the extent commercially practicable, seek to obtain quotations from Independent Third Parties for similar products and services;

- the Board and various internal departments of the Company will regularly monitor the fulfillment status and the transaction updates under the 2025 Renewed Framework Agreement with Conch Cement. In addition, the management of the Company will also regularly review the pricing policies of the 2025 Renewed Framework Agreement with Conch Cement; and
- the independent non-executive Directors and auditors will conduct an annual review of the continuing connected transactions under the 2025 Renewed Framework Agreement with Conch Cement and provide annual confirmation to ensure that, in accordance with the Listing Rules, the transactions are conducted in accordance with the terms of the 2025 Renewed Framework Agreement with Conch Cement, on normal commercial terms and in accordance with the pricing policy.

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 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 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 2025 Renewed Framework Agreement with Conch Cement 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 caps for the 2025 Renewed Framework Agreement with Conch Cement is more than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement, annual review and Independent Shareholders' approval under Chapter 14A of the Listing Rules.

The Independent Board Committee has been formed to provide recommendation to the Independent Shareholders in respect of the 2025 Renewed Framework Agreement with Conch Cement and the transactions contemplated thereunder. Gram Capital has been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

A circular containing, among other things, (i) details of the transactions contemplated under the 2025 Renewed Framework Agreement with Conch Cement, (ii) a letter of recommendation from the Independent Board Committee to the Independent Shareholders, and (iii) a letter of recommendation from Gram Capital to the Independent Board Committee and Independent Shareholders will be despatched to Shareholders. As the Company requires additional time to prepare and finalize certain information for inclusion in the circular, it will despatch the circular to Shareholders on or before 24 January 2025.

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, whose shares 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 Board Committee”	the independent committee of the Board, comprising all the independent non-executive Directors, formed for the purpose of advising the Independent Shareholders in respect of the annual caps for the 2025 Renewed Framework Agreement with Conch Cement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), being the independent financial adviser has been appointed to advise the Independent Board Committees and the Independent Shareholders in relation to the transactions contemplated under the 2025 Renewed Framework Agreement with Conch Cement (including the proposed annual caps for the three years ending 31 December 2027)
“Independent Shareholder(s)”	the Shareholder(s), other than Conch Cement and its associates and Parties Acting in Concert (as defined in the Takeovers Code) as well as any other Shareholder who has a material interest in the 2025 Renewed Framework Agreement with Conch Cement
“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, including but not limited to Conch Venture, Qi Shengli (齊生立), Li Qunfeng (李群峰), Wang Chunjian (汪純健), 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 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 filling-up 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 filling-up service and ancillary products by the Group to the Conch Cement Group
“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
“2025 Renewed Framework Agreement with Conch Cement”	the alternative fuel filling-up service framework agreement entered into on 27 December 2024 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 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
27 December 2024

As at the date of this announcement, the Board comprises Mr. WANG Chunjian (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.