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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)

PROPOSED RENEWAL OF CONTINUING CONNECTED TRANSACTIONS

Reference is made to the listing document of the Company dated 22 March 2022 in relation to, among other things, the Cement Kiln Co-treatment Framework Agreement. In contemplation of the expiration of the Cement Kiln Co-treatment Framework Agreement on 31 December 2024, the Board is pleased to announce that on 24 February 2025: Haizhong Environmental (for itself and on behalf of its subsidiaries) and CNBM (on behalf of the CNBM Group) agreed to renew the Cement Kiln Co-treatment Framework Agreement by entering into the 2025 Renewed Framework Agreement with CNBM with a term of three years from 1 January 2025 to 31 December 2027.

LISTING RULES IMPLICATIONS

As of the date of this announcement, CNBM held 50% equity interest in Conch Venture CNBM Hong Kong Holdings Limited (“**Conch Venture CNBM HK**”, a subsidiary of the Company), and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the 2025 Renewed Framework Agreement with CNBM constitute continuing connected transactions 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 2025 Renewed Framework Agreement with CNBM is more than 1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are exempt from the requirement of Independent Shareholders’ approval under Chapter 14A of the Listing Rules.

INTRODUCTION

Reference is made to the listing document of the Company dated 22 March 2022 in relation to, among other things, the Cement Kiln Co-treatment Framework Agreement. In contemplation of the expiration of the Cement Kiln Co-treatment Framework Agreement on 31 December 2024, the Board is pleased to announce that on 24 February 2025: Haizhong Environmental (for itself and on behalf of its subsidiaries) and CNBM (on behalf of the CNBM Group) agreed to renew the Cement Kiln Co-treatment Framework Agreement by entering into the 2025 Renewed Framework Agreement with CNBM with a term of three years from 1 January 2025 to 31 December 2027.

2025 Renewed Framework Agreement with CNBM

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

| | |
|-------------------------------|--|
| Date: | 24 February 2025 |
| Parties: | (1) Haizhong Environmental (for itself and on behalf of its subsidiaries); and (2) CNBM (on behalf of CNBM Group) |
| Term: | From 1 January 2025 to 31 December 2027 ^{Note} |
| Subject matter: | CNBM Group agreed to provide comprehensive cement kiln co-treatment services and related supporting services to Haizhong Environmental for certain industrial waste treatment projects. The comprehensive cement kiln co-treatment services and supporting services primarily include, providing cement kiln systems, ancillary equipment, and co-treatment construction services. Details of the precise scope of service, service fee calculation, method of payment and other service arrangement will be agreed between the relevant parties separately. |
| Payment and settlement terms: | Payment and settlement terms under the 2025 Renewed Framework Agreement with CNBM shall be specified in each of the implementation agreements to be entered into under the 2025 Renewed Framework Agreement with CNBM in due course. |

Pricing Policy

With respect to the service fees payable for the cement kiln co-treatment, the service fees payable by Haizhong Environmental are mainly based on (i) the locations of the projects, the amount of industrial solid and hazardous waste treated by the cement kiln; (ii) the type of the industrial solid and hazardous waste; and (iii) the respective fee rates determined after arm's length negotiation between the parties with reference to prevailing market rates.

Note:

Connected transactions between Haizhong Environmental and CNBM from 1 January 2025 to 24 February 2025 have been fully exempted under Rule 14A.76(1) of the Listing Rules.

With respect to the fees payable for the ancillary equipment and construction services, the fees payable by Haizhong Environmental shall be determined on arm's length basis with reference to (i) total area, locations and topography of the project site, (ii) the specification, model, unit price type and quality of the equipment, (iii) the operational costs (including labor costs, material costs and administrative costs), and (iv) the prevailing market fee rates of similar equipment or construction service provided by the Independent Third Parties.

Historical Amounts

The aggregate amount of fees incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group for the three years ended 31 December 2023 and the eleven months ended 30 November 2024 are set out in the table below:

| | For the year ended 31 December | | | For the eleven months ended |
|---|---------------------------------------|-------------|-------------|------------------------------------|
| | 2021 | 2022 | 2023 | 30 November 2024 |
| | <i>(RMB in millions)</i> | | | |
| Fees incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group | 118 | 87.91 | 32.15 | 22.62 |

Annual Cap and Basis of Determination

The annual caps for the fees to be incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group under the 2025 Renewed Framework Agreement with CNBM for the three years ended 31 December 2027 are set out as follows:

| | For the year ending 31 December | | |
|---|--|-------------|-------------|
| | 2025 | 2026 | 2027 |
| | <i>(RMB in millions)</i> | | |
| Fees incurred in relation to cement kiln co-treatment services and related supporting services provided by CNBM Group | 50.00 | 51.00 | 53.00 |

The above annual caps for the three years ending 31 December 2027 were determined after taking into account of: (i) the historical transaction amounts incurred in 2021, 2022, 2023, and for the eleven months ended 30 November 2024; (ii) the number of existing projects for which the Group has engaged CNBM Group to provide cement kiln co-treatment services, i.e. as at 30 November 2024, the Group has 17 projects in operation with CNBM Group; and (iii) based on the current negotiation between the Group and CNBM Group and the expected schedule of the projects, the potential cooperation between the Group and CNBM Group in another three and three pipeline projects in respect of cement kiln co-treatment services in 2026 and 2027, respectively, with the estimated transaction amount of each potential project ranging from RMB1 million to RMB2 million.

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

CNBM is one of the largest cement producers and cement engineering service providers in the PRC in terms of the production capacity. It has well-established existing cement kiln systems and possesses abundant cement production capacity. By leveraging CNBM's extra production capacity and waste heat from cement production process, the Group could implement co-treatment of the industrial solid and hazardous waste in a reliable and cost-effective manner by utilizing its existing cement kiln facilities and equipment through cement kiln co-treatment business cooperation. Such 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.

OPINION FROM THE BOARD

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2025 Renewed Framework Agreement with CNBM was determined after arm's length negotiation, and the transactions contemplated thereunder (including the 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.

Mr. JIANG Dehong, a non-executive Director of the Company, has abstained from voting on the relevant resolutions at the Board meeting on approving the 2025 Renewed Framework Agreement with CNBM and the transactions thereunder, due to his relationship with CNBM. Save as disclosed above, none of the other Directors has material interests in the 2025 Renewed Framework Agreement with CNBM, and the transactions thereunder and therefore none of the other Directors abstained from voting on 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 CNBM 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 CNBM. In addition, the management of the Company will also regularly review the pricing policies of the 2025 Renewed Framework Agreement with CNBM; 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 CNBM and provide annual confirmation in accordance with the Listing Rules, to ensure that the transactions are conducted in accordance with the terms of the 2025 Renewed Framework Agreement with CNBM, on normal commercial terms and in accordance with the pricing policies.

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.

CNBM is a leading building materials company in the PRC with significant operations in basic building materials, new materials and engineering technical services businesses. To the best of the Directors' knowledge, information and belief having made all reasonable enquiry, as of the date of this announcement, China National Building Material Group Co., Ltd* (中國建材集團有限公司) is the controlling shareholder of CNBM. CNBM is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the State Council.

* For identification purposes only

LISTING RULES IMPLICATIONS

As of the date of this announcement, CNBM held 50% equity interest in Conch Venture CNBM HK, and therefore is regarded as a connected person of the Company by virtue of it falling under the definition of a substantial shareholder at the subsidiary level pursuant to Rule 14A.07(1) of the Listing Rules. Accordingly, the transactions contemplated under the 2025 Renewed Framework Agreement with CNBM constitute continuing connected transactions 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 2025 Renewed Framework Agreement with CNBM is more than 1% but less than 5%, the transactions contemplated thereunder are therefore subject to reporting, announcement and annual review requirements but are 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:

| | |
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| “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) |
| “CNBM” | China National Building Material Company Limited (中國建材股份有限公司), a company listed on the Stock Exchange (stock code: 3323) which held 50% equity interest in Conch Venture CNBM HK |
| “CNBM Group” | CNBM, together with its subsidiaries and associates |
| “Cement Kiln Co-treatment Framework Agreement” | the Cement Kiln Co-treatment Framework Agreement entered into on 16 March 2022 between Haizhong Environmental (for itself and on behalf of its subsidiaries) and CNBM (on behalf of the CNBM Group) in relation to, among other things, the provision of comprehensive cement kiln co-treatment services and related supporting services by the CNBM Group to Haizhong Environmental |
| “Conch Venture CNBM HK” | Conch Venture CNBM Hong Kong Holdings Limited, an investment holding company established in Hong Kong on 12 February 2019 and a non-wholly owned subsidiary of our Company |
| “connected person(s)” | has the meaning ascribed to it under the Listing Rules |

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|-----------------------------|--|
| “Director(s)” | the director(s) of the Company |
| “Group” | the Company and its subsidiaries |
| “Haizhong Environmental” | a company established in the PRC with limited liability on 14 March 2019 and a non-wholly owned subsidiary of our Company |
| “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 |
| “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 |

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
24 February 2025

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.