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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
CEMENT KILN CO-TREATMENT FRAMEWORK AGREEMENT**

On 25 May 2022, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the Cement Kiln Co-treatment Framework Agreement in relation to, among other things, the cooperation in the cement kiln co-treatment projects.

LISTING RULES IMPLICATIONS

Since 4 April 2022, Conch Cement's interest in the shares of the Company has increased over 10% and as of the date of this announcement, Conch Cement holds approximately 13% of the issued share capital of the Company, which constitutes a substantial shareholder of the Company. Therefore, Conch Cement, since 4 April 2022, became a connected person of the Company and the transactions contemplated under the Cement Kiln Co-treatment Framework Agreement between the Group and Conch Cement Group 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 Cement Kiln Co-treatment Framework Agreement is more than 0.1% 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

The Board is pleased to announce that, on 25 May 2022, the Company (on behalf of the Group) and Conch Cement (on behalf of the Conch Cement Group) agreed to enter into the Cement Kiln Co-treatment Framework Agreement in relation to, among other things, the cooperation in the cement kiln co-treatment projects.

CONTINUING CONNECTED TRANSACTIONS

Principal terms of the Cement Kiln Co-treatment Framework Agreement are set out as follows:

Date:	25 May 2022
Parties:	(1) The Company (on behalf of the Group), and (2) Conch Cement (on behalf of the Conch Cement Group)
Term:	From 25 May 2022 to 31 December 2022
Subject matter:	The Conch Cement Group agreed to provide comprehensive cement kiln co-treatment services and ancillary products to the Group for certain industrial waste treatment projects, which primarily includes providing cement kiln system and cement kiln heat sources, as well as labour 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 Cement Kiln Co-treatment Framework Agreement shall be specified in each of the project implementation agreements to be entered into under the Cement Kiln Co-treatment Framework Agreement 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 rates of cost 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 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 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 Group shall be determined on arm's length basis 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.

As part of the Group's internal approval and monitoring procedures relating to the transactions with Conch Cement, the Group will, to the extent commercially practicable, seek to obtain quotations from independent suppliers for similar services and consider assessment criteria (including the location, price, quality, suitability, payment terms, and time required for the provision of the services) before it enters into any project agreement with Conch Cement, and such quotations, together with the offer from Conch Cement, will be reviewed and passed 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 volume to the Group's finance department for monitoring the annual cap of the relevant transactions.

Historical Amounts

The historical amounts of the fees paid by the Group to the Conch Cement Group in respect of the comprehensive cement kiln co-treatment services and ancillary products for the three years ended 31 December 2021 are set out as follows:

	For the year ended 31 December		
	2019	2020	2021
	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>	<i>(RMB in millions)</i>
Fees incurred in relation to cement kiln co-treatment services and ancillary products provided by the Conch Cement Group to the Group	22.1	57.8	78.2

Annual Cap and Basis of Determination

The proposed annual cap for the fees to be incurred in relation to cement kiln co-treatment services and ancillary products under the Cement Kiln Co-treatment Framework Agreement from 4 April 2022 to 31 December 2022 is RMB82.0 million.

The above annual cap for the year ending 31 December 2022 was determined taking into account (i) the historical amounts for the three years ended 31 December 2021, (ii) the number of current projects for which the Group has engaged the Conch Cement Group to provide cement kiln co-treatment services, i.e., as at the date of this announcement, the Group has 28 projects in operation or to be put into operation with the Conch Cement Group in the year of 2022, and (iii) the projected volume of industrial solid and hazardous waste to be treated for the year ending 31 December 2022.

Reasons and Benefits for entering into the Cement Kiln Co-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 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 their 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 Cement Kiln Co-treatment Framework Agreement (including the annual cap from 4 April 2022 to 31 December 2022) 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.

None of the Directors has a material interest in the transactions contemplated under the Cement Kiln Co-treatment Framework Agreement and therefore none of the Directors abstained from voting in the relevant resolutions.

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 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 date of this announcement, Conch Cement is ultimately controlled by the State-owned Assets Supervisions Administration Commission of Anhui Province (安徽省國有資產監督管理委員會).

LISTING RULES IMPLICATIONS

Since 4 April 2022, Conch Cement's interest in the shares of the Company has increased over 10% and as of the date of this announcement, Conch Cement holds approximately 13% of the issued share capital of the Company, which constitutes a substantial shareholder of the Company. Therefore, Conch Cement, since 4 April 2022, has become a connected person of the Company and the transactions contemplated under the Cement Kiln Co-treatment Framework Agreement between the Group and Conch Cement Group 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 Cement Kiln Co-treatment Framework Agreement is more than 0.1% 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:

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“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 the Conch Cement Group) in relation to, among other things, the cooperation in the cement kiln co-treatment projects
“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 whose shares are listed on Shanghai Stock Exchange (stock code: 600585) and on the Main Board of the Stock Exchange (stock code: 914) and a substantial shareholder of the Company
“Conch Cement Group”	Conch Cement and its subsidiaries and associates
“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
“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, Macau, and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a par value of HKD0.01 each

“Shareholder(s)”	the 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
“substantial shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“%”	percent

For and on behalf of the Board
China Conch Environment Protection Holdings Limited
Shu Mao
Executive Director and General Manager

Anhui Province, the People’s Republic of China
25 May 2022

As at the date of this announcement, the Board comprises Mr. GUO Jingbin (Chairman), Mr. SHU Mao (General Manager), Mr. WAN Changbao and Mr. ZHANG Keke as executive Directors; Mr. JI Qinying and Mr. XIAO Jiexiang as non-executive Directors; and Mr. HAO Jiming, Mr. CAI Hongping and Mr. DAI Xiaohu as independent non-executive Directors.