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CONCH VENTURE
China Conch Venture Holdings Limited
中國海螺創業控股有限公司
(Incorporated in the Cayman Islands with limited liability)
(Stock Code: 586)

**CONTINUING CONNECTED TRANSACTIONS:
REVISION OF 2023 ORIGINAL ANNUAL CAP (CKEM)**

Reference is made to (i) the announcement of China Conch Venture Holdings Limited (the “**Company**”) dated 22 December 2020 (the “**2020 Announcement**”) in relation to, among other things, the 2021–2023 Master Agreements comprising, (a) the 2021–2023 CKEM Master Agreement entered into between the Group (through the CK Subsidiaries) and CKEM; and (b) the 2021–2023 Kawasaki Master Agreement entered into between the Group (through the CK Subsidiaries) and Kawasaki HI, and (ii) the announcement of the Company dated 28 December 2020 in relation to certain further information supplementing the 2020 Announcement. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the 2020 Announcement.

REVISION OF 2023 ORIGINAL ANNUAL CAP (CKEM)

Under the 2021–2023 CKEM Master Agreement, (a) CKEM agreed to supply to the CK Subsidiaries certain products and/or services (including (i) rolling plate, mill housing, kiln shell and accessories for extrusion roll) and (ii) grate furnace bar, roll shell and small bag filter); and (b) the CK Subsidiaries agreed to supply to CKEM certain products and/or services (including fragmentary material, processing of parts (including extrusion rolls); and heat treatment for reheating furnace. As mentioned in the 2020 Announcement, the annual cap for the transactions contemplated under the 2021–2023 CKEM Master Agreement for the financial year ending 31 December 2023 (“**FY2023**”) is RMB18.9 million (“**2023 Original Annual Cap (CKEM)**”).

Due to the increasing demand for products and services required to CKEM by the CK Subsidiaries for FY2023 under the 2021–2023 CKEM Master Agreement, in particular the bulk procurement of production by CK Subsidiaries after it has been awarded the contract of a one-off overseas cement project (which is expected to be completed by June 2024 (the “**Overseas Cement Project**”), the Board anticipates that the 2023 Original Annual Cap (CKEM) would not be sufficient to meet the expected transaction amounts under the 2021–2023 CKEM Master Agreement for FY2023. Having regard to the increasing demand for products and services supplied to CKEM by the CK Subsidiaries required for the Project, the Board considers it appropriate to revise the 2023 Original Annual Cap (CKEM) to RMB75.0 million (the “**2023 Revised Annual Cap (CKEM)**”).

Set out below are the (i) original annual caps for each of the financial years ended 31 December 2021 to 2023 for the transactions contemplated under the 2021–2023 CKEM Master Agreement; (ii) the historical transaction amounts for each of the financial years ended 31 December 2021 to 2022 and the eight months ended 31 August 2023; and (iii) 2023 Revised Annual Cap (CKEM):

	For the financial year ended		
	31 December		
	2021	2022	2023
	<i>(RMB)</i>	<i>(RMB)</i>	<i>(RMB)</i>
Original annual caps	17.90 million	18.90 million	18.90 million
Historical transaction amounts	13.46 million	7.64 million	11.65 million ^{Note}
Revised annual caps	N/A	N/A	75.0 million

Note: The amount refers to the historical transaction amounts for the eight months ended 31 August 2023.

The 2023 Revised Annual Cap (CKEM) is arrived with reference to (i) the historical transaction amounts under the 2021–2023 CKEM Master Agreement; and (ii) the business needs of the Group.

The Board confirms that, (i) the 2023 Original Annual Cap (CKEM) has not been exceeded as at the date of this announcement and; (ii) it is not expected that the annual cap for FY2023 under the 2021–2023 Kawasaki Master Agreement (the “**2023 Annual Cap (Kawasaki)**”) will be exceeded, and that it is not necessary to revise the 2023 Annual Cap (Kawasaki).

REASONS FOR AND BENEFITS OF THE REVISION OF 2023 ORIGINAL ANNUAL CAP (CKEM) AND THE ENTERING INTO THE 2021–2023 CKEM MASTER AGREEMENT

1. Taking into account (among other factors) the quality and price of the products provided by, and the research and development capacity of CKEM, the Board is of the view that bulk purchase of products from CKEM will give the Group an advantage in price bargaining, thereby lowering the purchase costs and enhancing the competitiveness of the Group’s products; and
2. The Board also considers that the Group will gain from a higher utilisation rate of its equipment, hence lower average costs by supply of services of processing parts to CKEM under the 2021–2023 CKEM Master Agreement.

The Directors (including the independent non-executive Directors) are of the view that the terms of the 2021–2023 CKEM Master Agreement and the 2023 Revised Annual Cap (CKEM) are fair and reasonable, the transactions are conducted on normal commercial terms or better terms, and were entered into in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

None of the Directors has a material interest in the 2021–2023 CKEM Master Agreement and the 2023 Revised Annual Cap (CKEM), nor has any of them abstained from voting in respect of the relevant board resolutions approving the 2023 Revised Annual Cap (CKEM).

GENERAL

The principal activities of the Group are construction and operation of waste-to-energy projects, the manufacturing and sales of new energy materials and new building materials, port logistics services. All of the CK Subsidiaries are operating subsidiaries of the Company.

Kawasaki HI is a company incorporated in Japan and is principally engaged in the business of manufacture of a wide range of technological products including industrial plants, environmental protection facilities, industrial equipment, construction machinery and steel structures. To the best of the knowledge and belief of the Directors having made all reasonable enquiries, Kawasaki HI is a company incorporated in Japan whose shares are listed on the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. (stock code: 7012).

CKEM is a company established in the PRC and is principally engaged in the business of design, purchase, manufacture, sales and provision of maintenance and after-sale services of cement equipment.

LISTING RULES IMPLICATIONS

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, all being indirect non-wholly owned subsidiaries of the Company. As Kawasaki HI is a substantial shareholder of each of the CK Subsidiaries, it is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

CKEM is a joint controlled entity held by Kawasaki HI (which is, as mentioned above, a connected person at the subsidiary level of the Company) and Conch Cement in equal share. As more than 30% equity interest in CKEM is held by Kawasaki HI, CKEM is an associate of Kawasaki HI. Accordingly, it is a connected person at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

For such reasons, the transactions contemplated under the 2021–2023 CKEM Master Agreement constitutes CCT for the Company under Chapter 14A of the Listing Rules.

The CCTs contemplated under the 2021–2023 Kawasaki Master Agreement and the 2021–2023 CKEM Master Agreement are entered into by the Group (through the CK Subsidiaries) with parties which are connected or otherwise associated with one another and are of similar nature. Under Rule 14A.81 of the Listing Rules, the CCTs contemplated under the 2021–2023 Kawasaki Master Agreement and the 2021–2023 CKEM Master Agreement may be aggregated. Upon such aggregation of the 2023 Revised Annual Cap (CKEM) and the 2023 Annual Cap (Kawasaki), the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) for the transactions contemplated under the 2021–2023 Master Agreements for FY2023 do not exceed 5%.

As mentioned above, both Kawasaki HI and CKEM are connected persons at the subsidiary level of the Company. Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the 2021–2023 Master Agreements are only subject to announcement and reporting requirements, and are exempt from the circular, independent financial advice and shareholders’ approval requirements under Chapter 14A of the Listing Rules.

By Order of the Board
China Conch Venture Holdings Limited
CHEN Xingqiang
Joint Company Secretary

Anhui Province, the People’s Republic of China
28 September 2023

As at the date of this announcement, the Board comprises Mr. JI Qinying (Vice-Chairman and Chief Executive Officer), Mr. SHU Mao, Mr. LI Jian and Mr. LI Daming as executive Directors; Mr. GUO Jingbin (Chairman) and Mr. LIU Yan as non-executive Directors; and Mr. CHAN Chi On (alias Derek CHAN), Mr. CHAN Kai Wing and Dr. PENG Suping as independent non-executive Directors.