

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.

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:
THE 2024–2026 MASTER AGREEMENTS**

On 18 December 2023, the Group (through the CK Subsidiaries) entered into (a) the 2024–2026 CKEM Master Agreement with CKEM, and (b) the 2024–2026 Kawasaki Master Agreement with Kawasaki HI respectively. Pursuant to the 2024–2026 CKEM Master Agreement, the CK Subsidiaries (for themselves and on behalf of other subsidiaries of the Company) agreed to supply fragmentary material and processing services to CKEM, while CKEM agreed to supply certain equipment and products to the CK Subsidiaries and other subsidiaries of the Company. Pursuant to the 2024–2026 Kawasaki Master Agreement, the CK Subsidiaries and Kawasaki HI agreed to (i) provide to the other party certain design services and technical assistance; and (ii) supply to the other party equipment, parts and products related to, among other things, residual heat power generation and garbage disposal.

The 2024–2026 Master Agreements have a term commencing from 1 January 2024 up to 31 December 2026.

Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, all being indirect non-wholly owned subsidiaries of the Company. CKEM is a jointly controlled entity held by Kawasaki HI and Conch Cement in equal share. Both Kawasaki HI and CKEM are connected persons at the subsidiary level of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.101 of the Listing Rules, the transactions contemplated under the 2024–2026 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.

THE 2024–2026 MASTER AGREEMENTS

References are made to (i) the 2020 Announcement in relation to, among other things, the 2021–2023 Master Agreements, both of which had a term commencing on 1 January 2021 and expiring on 31 December 2023; (ii) the announcement of the Company dated 28 December 2020 in relation to certain further information supplementing the 2020 Announcement; and (iii) the 2023 Announcement in relation to the revision of the 2023 Original Annual Cap (CKEM) (as disclosed in the 2020 Announcement) in respect of the CCTs under the 2021–2023 CKEM Master Agreement. Pursuant to the 2024–2026 CKEM Master Agreement, the CK Subsidiaries (for themselves and on behalf of other subsidiaries of the Company) agreed to supply fragmentary material and processing services to CKEM, while CKEM agreed to supply certain equipment and products to the CK Subsidiaries and other subsidiaries of the Company. Pursuant to the 2024–2026 Kawasaki Master Agreement, the CK Subsidiaries and Kawasaki HI agreed to (i) provide to the other party certain design services and technical assistance; and (ii) supply to the other party equipment, parts and products related to, among other things, residual heat power generation and garbage disposal.

It is expected that following the expiry of the 2021–2023 Master Agreements, transactions of similar nature will continue. On 18 December 2023, the Group (through the CK Subsidiaries) entered into (a) the 2024–2026 CKEM Master Agreement with CKEM; and (b) the 2024–2026 Kawasaki Master Agreement with Kawasaki HI respectively.

The respective principal terms of the 2024–2026 CKEM Master Agreement and the 2024–2026 Kawasaki Master Agreement are set out as follows:

	2024–2026 CKEM Master Agreement	2024–2026 Kawasaki Master Agreement
Date:	18 December 2023	
Parties:	(1) The CK Subsidiaries (for themselves and on behalf of other subsidiaries of the Company) on the one part; (2) CKEM on the other part	(1) The CK Subsidiaries on the one part; (2) Kawasaki HI on the other part

2024–2026 CKEM Master Agreement

2024–2026 Kawasaki Master Agreement

Types of goods and/or services rendered:

(1) *Products/services supplied to the CK Subsidiaries and other subsidiaries of the Company by CKEM include:*

- (i) rolling plate, mill housing, kiln shell and accessories for extrusion roll;
- (ii) grate furnace bar, roll shell, roller press, and small bag filter; and
- (iii) provision of utility service.

(2) *Products/services supplied to CKEM by the CK Subsidiaries and other subsidiaries of the Company include:*

- (i) fragmentary material;
- (ii) processing of parts (including extrusion rolls); and
- (iii) heat treatment for reheating furnace.

(1) *Products/services supplied to the CK Subsidiaries by Kawasaki HI include:*

- (i) boiler steel, accessories; and
- (ii) design services and technical consultancy and instruction services in relation to businesses such as vertical mill, grate furnace in relation to the waste incineration power generation, and residual heat power generation boiler and recycling of used and wasted power batteries for new energy vehicles.

(2) *Products/services supplied to Kawasaki HI by the CK Subsidiaries include:*

- (i) products including grate furnace in relation to the waste incineration power generation, residual heat power generation boiler, vertical mill and accessories, cement equipment, garbage disposal system, ancillary equipment in relation to environmental protection and residual heat power generation as well as ancillary products for recycling of used and wasted power batteries for new energy vehicles; and
- (ii) commissioning in relation to equipment such as vertical mill and personnel despatch service such as project examination and maintenance, and research.

Contract period: From 1 January 2024 up to 31 December 2026

Early termination: Under each of the relevant 2024–2026 Master Agreements, the parties may (after reaching mutual agreement) terminate such agreement by giving three months' prior written notice. Each party is entitled to unilaterally terminate the agreement where (among other events) the other party is in liquidation or in breach of the agreement where such breach could not be rectified within 30 days immediately after the non-defaulting party has served a written rectification request to the defaulting party.

Each formal order to be made under the 2024–2026 Master Agreements shall contain, among other things, terms in connection with the price and quantity of equipment, parts and products concerned, the details of the services concerned, the time and place of delivery, payment terms, warranties and other relevant matters.

Pricing policy

The price of the products and/or services supplied to the CK Subsidiaries and/or other subsidiaries of the Company by CKEM (or, as the case may be, Kawasaki HI) will be determined by the parties (on arm's length basis and in good faith) with reference to the then prevailing market prices of identical and/or similar goods and/or services which may be sourced from other Independent Third Parties. It is expected that the parties shall obtain at least two to three quotations for identical and/or similar products and/or services from Independent Third Parties, and the price to be finally agreed with CKEM (or, as the case may be, Kawasaki HI) shall be no less favourable to the Group than the prices stated in such quotations.

The price of the products and/or services supplied by the CK Subsidiaries and/or other subsidiaries of the Company to CKEM (or, as the case may be, Kawasaki HI) will be determined by the parties (on arm's length basis and in good faith) on a cost-plus basis with reference to the procurement cost of the raw materials and parts for manufacture of the relevant products and production overhead, plus a reasonable profit margin rate ranging from 10% to 20% which is determined with reference to the average profit margin rate for the similar transactions under the 2021–2023 Master Agreements in the previous financial year.

Historical transaction amounts

The historical transaction amounts and historical annual caps for the transactions contemplated under the 2021–2023 Master Agreements for each of the financial years/period are stated as follows:

	2021–2023 CKEM Master Agreement		2021–2023 Kawasaki Master Agreement	
	Annual cap (RMB)	Historical transaction amounts (RMB)	Annual cap (RMB)	Historical transaction amounts (RMB)
FY2021	17.9 million	13.46 million	71.9 million	24.27 million
FY2022	18.9 million	7.64 million	62.4 million	14.67 million
For the eleven months ended 30 November 2023 (<i>Note 1</i>)	75.0 million (<i>Note 2</i>)	59.90 million	59.7 million (<i>Note 3</i>)	21.28 million

Notes:

1. The historical transaction amounts represent the transaction amounts between the CK Subsidiaries and each of CKEM and Kawasaki HI for the eleven months ended 30 November 2023.
2. The annual cap represents the annual cap (CKEM) under the 2021–2023 CKEM Master Agreement as disclosed in the 2023 Announcement.
3. The annual cap represents the annual cap for FY2023 under the 2021–2023 Kawasaki Master Agreement as disclosed in the 2020 Announcement.

Annual caps for each of FY2024, FY2025 and FY2026

The annual caps for the transactions contemplated under the 2024–2026 Master Agreements for each of FY2024, FY2025 and FY2026 are as follows:

Financial years ending on 31 December	2024–2026 CKEM Master Agreement Annual caps (RMB)	2024–2026 Kawasaki Master Agreement Annual caps (RMB)
2024	70.0 million	69.5 million
2025	72.5 million	65.2 million
2026	68.5 million	70.2 million

The said annual caps are determined with reference to the following factors:

- (i) the historical transaction amounts of the transactions with CKEM and Kawasaki HI under the 2021–2023 Master Agreements;
- (ii) the Group’s consolidated production and operation plans for 2023 and 2024; and
- (iii) the estimated transaction amounts after taking into consideration the business needs of the Group in the next two years.

REASONS FOR AND BENEFITS OF ENTERING INTO THE 2024–2026 MASTER AGREEMENTS

The 2021–2023 Master Agreements will expire on 31 December 2023. It is expected that following the expiry of the 2021–2023 Master Agreements, the transactions contemplated thereunder will continue. The Board considers it beneficial to the Company to enter into the 2024–2026 Master Agreements to delineate the scope and terms of the transactions which may be entered into by the Group with CKEM and Kawasaki HI respectively in 2024, 2025 and 2026.

Taking into account (among other factors) the quality and price of the products and services to be provided by, and the research and development capacity of each of CKEM and Kawasaki HI, the Board is of the view that bulk purchase of products, design services and technical assistance from each of CKEM and Kawasaki HI will give the Group an advantage in price bargaining, thereby lowering the purchase costs and enhancing the competitiveness of the Group's products.

The Board considers that the Group will be able to build up a greater market share and industry reputation in overseas market by supply of products and design services to Kawasaki HI under the 2024–2026 Kawasaki Master Agreement. 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 under the 2024–2026 CKEM Master Agreement.

The Directors, including the independent non-executive Directors, are of the view that

- (a) the terms of the 2024–2026 Master Agreements are negotiated between the parties on an arm's length basis and are on normal commercial terms that are fair and reasonable;
- (b) the transactions contemplated under the 2024–2026 Master Agreements were and will be conducted in the ordinary and usual course of business of the Group and in the interests of the Company and the Shareholders as a whole; and
- (c) the terms of the 2024–2026 Master Agreements are no less favourable to the Company than terms available from Independent Third Parties.

None of the Directors has a material interest in the 2024–2026 Master Agreements nor has any of them abstained from voting in respect of the relevant board resolutions.

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, information 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 jointly 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 respective transactions contemplated under each of the 2024–2026 Master Agreements constitute CCTs for the Company under Chapter 14A of the Listing Rules.

The CCTs contemplated under the 2024–2026 Kawasaki Master Agreement and the 2024–2026 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 2024–2026 Kawasaki Master Agreement and the 2024–2026 CKEM Master Agreement may be aggregated. Upon such aggregation, the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) for the transactions contemplated under the 2024–2026 Master Agreements for each of FY2024, FY2025 and FY2026 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 2024–2026 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.

DEFINITIONS

“2020 Announcement”	the Company’s announcement dated 22 December 2020 in relation to, among other things, the 2021–2023 Master Agreements
“2021–2023 CKEM Master Agreement”	the agreement commencing from 1 January 2021 and entered into between the CK Subsidiaries on the one part and CKEM on the other part in relation to sale and purchase and processing of certain equipment, parts and products, brief details of which are set out in the 2020 Announcement
“2021–2023 Kawasaki Master Agreement”	the agreement commencing from 1 January 2021 and entered into between the CK Subsidiaries on the one part and Kawasaki HI on the other part in relation to (i) sale and purchase of certain equipment, parts and products and (ii) provision of certain design services and technical assistance, brief details of which are set out in the 2020 Announcement

“2021–2023 Master Agreements”	collectively, the 2021–2023 CKEM Master Agreement and the 2021–2023 Kawasaki Master Agreement
“2023 Announcement”	the Company’s announcement dated 28 September 2023 in relation to the revision of the 2023 Original Annual Cap (CKEM) (as disclosed in the 2020 Announcement) for the 2021–2023 CKEM Master Agreement
“2023 Original Annual Cap (CKEM)”	the original annual cap for the transactions contemplated under the 2021–2023 CKEM Master Agreement for FY2023 as disclosed in the 2020 Announcement
“2023 Revised Annual Cap (CKEM)”	the revised annual cap for the transactions contemplated under the 2021–2023 CKEM Master Agreement for FY2023 as disclosed in the 2023 Announcement
“2024–2026 CKEM Master Agreement”	the agreement dated 18 December 2023 and entered into between the CK Subsidiaries (for themselves and on behalf of other subsidiaries of the Company) on the one part and CKEM on the other part in relation to sale and purchase and processing of certain equipment, parts and products
“2024–2026 Kawasaki Master Agreement”	the agreement dated 18 December 2023 and entered into between the CK Subsidiaries on the one part and Kawasaki HI on the other part in relation to (i) sale and purchase of certain equipment, parts and products and (ii) provision of certain design services and technical assistance
“2024–2026 Master Agreements”	collectively, the 2024–2026 CKEM Master Agreement and the 2024–2026 Kawasaki Master Agreement
“associate(s)”	having the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CCT(s)”	continuing connected transaction(s), having such meaning as ascribed to such term under the Listing Rules
“CK Engineering”	安徽海螺川崎工程有限公司 (Anhui Conch Kawasaki Engineering Co., Ltd.*), a company established in the PRC and held as to 51% equity interest by the Company indirectly
“CK Equipment”	安徽海螺川崎節能設備製造有限公司 (Anhui Conch Kawasaki Energy Conservation Equipment Manufacturing Co., Ltd.*), a company established in the PRC and held as to 51% equity interest by the Company indirectly
“CK Subsidiaries”	collectively, CK Engineering, CK Equipment and Shanghai CK

“CKEM”	安徽海螺川崎裝備製造有限公司 (Anhui Conch Kawasaki Equipment Manufacturing Co., Ltd.*), a jointly controlled entity established in the PRC held by Kawasaki HI and Conch Cement and a connected person of the Company
“Company”	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 and the issued shares of which are listed on the Main Board of the Stock Exchange
“Conch Cement”	安徽海螺水泥股份有限公司 (Anhui Conch Cement Co. Ltd.), a company established in the PRC, with its A-shares listed on the Shanghai Stock Exchange of the PRC (Stock Code: 600585) and H-shares listed on the Stock Exchange (Stock Code: 00914)
“connected person(s)”	having the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“FY2021” and “FY2022”	each financial year ended 31 December 2021 and 31 December 2022, respectively
“FY2023”, “FY2024”, “FY2025” and “FY2026”	each financial year ending 31 December 2023, 31 December 2024, 31 December 2025 and 31 December 2026, respectively
“Group”	the Company and its subsidiaries
“Hong Kong”	the Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Third Party(ies)”	person(s) or company(ies) and their respective ultimate beneficial owner(s), who/which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is/are independent of the Company and our connected persons
“Kawasaki HI”	Kawasaki Heavy Industries Ltd. (川崎重工業株式會社), a company incorporated in Japan whose shares are listed on the Tokyo Stock Exchange, Inc. and Nagoya Stock Exchange, Inc. (stock code: 7012) and a connected person of the Company holding 49% equity interest in each of the CK Subsidiaries
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange

“PRC”	the People’s Republic of China, and for the purpose of this announcement, excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan
“RMB”	Renminbi, the lawful currency of the PRC
“Shanghai CK”	上海海螺川崎節能環保工程有限公司 (Shanghai Conch Kawasaki Energy Conservation and Environment Conservation Engineering Co., Ltd.*), a company established in the PRC and held as to 51% equity interest by the Company indirectly
“Shareholders”	the shareholders of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

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

Anhui Province, the People’s Republic of China
18 December 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.

* *Translation or transliteration for identification purpose only*