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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 ANNUAL CAPS  
AND  
SUPPLEMENTAL AGREEMENT TO  
THE 2018–2020 CKEM MASTER AGREEMENT**

**REVISION OF ANNUAL CAPS FOR THE 2018–2020 CKEM MASTER AGREEMENT**

Reference is made to the 2017 Announcement in relation to, among other things, the relevant details of and the CCTs under (a) the 2018–2020 CKEM Master Agreement entered into between the CK Subsidiaries and CKEM and (b) the 2018–2020 Kawasaki Master Agreement entered into between the CK Subsidiaries and Kawasaki HI, respectively.

As mentioned in the 2017 Announcement, Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, all being indirect non-wholly owned subsidiaries of the Company. And CKEM is a jointly controlled entity held by Kawasaki HI and Conch Cement in equal share.

Due to the increasing demand in FY2019 and FY2020 in the products and services provided by the CK Subsidiaries and CKEM under the 2018–2020 CKEM Master Agreement, in particular, (i) main components for use in the construction of grate furnace as a result of the increase in number of grate furnace projects undertaken by the CK Subsidiaries and (ii) the cost of processing of extrusion rolls as a result of the increase in labour cost and raw material costs. The Board anticipates that the Existing Annual Caps (CKEM) would not be sufficient to meet the expected transaction amounts under the 2018–2020 CKEM Master Agreement for FY2019 and FY2020.

## **ENTERING INTO THE 2018–2020 CKEM SUPPLEMENTAL MASTER AGREEMENT**

On 26 September 2019, the Group (through the CK Subsidiaries) entered into the 2018–2020 CKEM Supplemental Master Agreement with CKEM to amend the 2018–2020 CKEM Master Agreement by revising the Existing Annual Caps (CKEM) to the Revised Annual Caps (CKEM), all other terms and conditions under the 2018–2020 CKEM Master Agreement remain unchanged.

## **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. 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.54 of the Listing Rules, if the Company proposes to revise the annual caps for a continuing connected transaction, the Company must re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

As 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 2018–2020 Master Agreements (as amended by the 2018–2020 CKEM Master Agreement) 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.

## **INTRODUCTION**

Reference is made to the 2017 Announcement in relation to, among other things, the 2018–2020 Master Agreements comprising, (a) the 2018–2020 CKEM Master Agreement entered into between the CK Subsidiaries and CKEM and (b) the 2018–2020 Kawasaki Master Agreement entered into between the CK Subsidiaries and Kawasaki HI. Capitalised terms used herein shall, unless the context requires otherwise, have the same meanings as defined in the 2017 Announcement.

Both of the 2018–2020 Master Agreements had a term commencing on 1 January 2018 and expiring on 31 December 2020. Pursuant to the 2018–2020 CKEM Master Agreement, the CK Subsidiaries agreed to supply fragmentary material and processing services to CKEM, while CKEM agreed to supply certain equipment and products to the CK Subsidiaries. Pursuant to the 2018–2020 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.

As mentioned in the 2017 Announcement, Kawasaki HI holds 49% equity interest in each of the CK Subsidiaries, all being indirect non-wholly owned subsidiaries of the Company. And CKEM is a jointly controlled entity held by Kawasaki HI and Conch Cement in equal share.

For the reasons set out in the section headed “Reasons for and benefits of the revision of annual caps and the entering into the 2018–2020 CKEM Supplemental Master Agreement” below, the Board proposes to revise the Existing Annual Caps (CKEM) to the Revised Annual Caps (CKEM) in respect of the CCTs contemplated under the 2018–2020 CKEM Master Agreement.

## **REVISION OF EXISTING ANNUAL CAPS (CKEM)**

### **Existing Annual Caps (CKEM) and Revised Annual Caps (CKEM)**

Due to the increasing demand in FY2019 and FY2020 in the products and services provided by the CK Subsidiaries and CKEM under the 2018–2020 CKEM Master Agreement, in particular, (i) main components for use in the construction of grate furnace as a result of the increase in number of grate furnace projects undertaken by the CK Subsidiaries and (ii) the cost of processing of extrusion rolls as a result of the increase in labour cost and raw material costs. The Board anticipates that the Existing Annual Caps (CKEM) would not be sufficient to meet the expected transaction amounts under the 2018–2020 CKEM Master Agreement for FY2019 and FY2020.

The Board therefore proposes to revise the Existing Annual Caps (CKEM) to the Revised Annual Caps (CKEM) for FY2019 and FY2020 as set out in the table below:

### **2018–2020 CKEM Master Agreement**

	<b>Existing Annual Caps (CKEM) (RMB)</b>	<b>Revised Annual Caps (CKEM) (RMB)</b>
FY2019	14.6 million	33.0 million
FY2020	14.7 million	32.3 million

In arriving at the Revised Annual Caps (CKEM), the Company has taken into account the following factors:

- (i) the historical transaction amounts of the transactions with CKEM (including but not limited to the transaction volume of fragmentary materials and extrusion rolls processing service under the 2018–2020 CKEM Master Agreement for FY2015, FY2016, FY2017, FY2018 and the eight months ended 31 August 2019;
- (ii) the Group’s consolidated production and operation plans for 2019 and 2020; and
- (iii) the estimated transaction amount after taking into consideration the business needs of the Group in the four months ending 31 December 2019 and FY2020.

The Board confirms that, as at the date of this announcement, the Existing Annual Caps (CKEM) for FY2019 have not been exceeded, and that it is not necessary to revise the Existing Annual Caps (Kawasaki) under the 2018–2020 Kawasaki Master Agreement.

### **2018–2020 CKEM SUPPLEMENTAL MASTER AGREEMENT**

On 26 September 2019, the Group (through the CK Subsidiaries) entered into the 2018–2020 CKEM Supplemental Master Agreement with CKEM to amend the 2018–2020 CKEM Master Agreement for the purpose of revising the Existing Annual Caps (CKEM) to the Revised Annual Caps (CKEM). For further details of the Revised Annual Caps (CKEM), please refer to the section headed “Revision of Existing Annual Caps (CKEM)” in this announcement.

The 2018–2020 CKEM Supplemental Master Agreement shall be effective from 26 September 2019.

### **REASONS FOR AND BENEFITS OF THE REVISION OF ANNUAL CAPS AND THE ENTERING INTO THE 2018–2020 CKEM SUPPLEMENTAL MASTER AGREEMENT**

Due to the rapid development of the Group’s business in the environmental protection segment, the number of the Group’s environmental protection projects under construction has increased significantly and the environmental protection equipment manufacturing projects undertaken by the CK Subsidiaries has increased accordingly. Taking into account, among other factors, the quality and price of the products that CKEM will provide and its research and development capabilities, the Board are of the view that bulk procurement of the main components for construction in grate furnace projects from CKEM can provide the Group with bargaining advantage, thereby lower the procurement cost and enhance the competitiveness of the Group’s products.

The Directors (including the independent non-executive Directors) are of the view that the 2018–2020 CKEM Supplemental Master Agreement and the Revised Annual Caps (CKEM) are fair and reasonable 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.

### **GENERAL**

The principal activities of the Group are provision of environmental protection solutions and investment holding. 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.

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. 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.54 of the Listing Rules, if the Company proposes to revise the annual caps for a continuing connected transaction, the Company must re-comply with the provisions of Chapter 14A of the Listing Rules in relation to the relevant connected transaction.

The CCTs contemplated under the 2018–2020 Kawasaki Master Agreement and the 2018–2020 CKEM Master Agreement (amended by the 2018–2020 CKEM Supplemental 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 continuing connected transactions contemplated under the 2018–2020 Kawasaki Master Agreement and the 2018–2020 CKEM Master Agreement (amended by the 2018–2020 CKEM Supplemental Master Agreement) may be aggregated. Upon such aggregation of the Revised Annual Caps (CKEM) and the Existing Annual Caps (Kawasaki), the relevant applicable percentage ratios (as prescribed under Chapter 14 of the Listing Rules) for the revised annual caps under the 2018–2020 CKEM Master Agreement for each of FY2019 and FY2020 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 2018–2020 Master Agreements (as amended by the 2018–2020 CKEM Master Agreement) 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.

None of the Directors has a material interest in the 2018–2020 CKEM Master Agreement nor has any of them abstained from voting in respect of the relevant board resolutions.

## **DEFINITIONS**

In this announcement, the following expressions shall, unless the context otherwise requires, have the following meanings. Unless otherwise defined herein, capitalised terms used in this announcement shall have the same meanings as those defined in the 2017 Announcement (defined thereafter).

“2017 Announcement”                      the announcement of the Company dated 27 December 2017 in relation to, among other things, the 2018–2020 Master Agreements

“2018–2020 CKEM Supplemental Master Agreement”	the supplemental agreement dated 26 September 2019 to amend and supplement the 2018–2020 CKEM Master Agreement and entered into between the CK Subsidiaries on the one part and CKEM on the other part for the purpose of revising the Existing Annual Caps (CKEM) to the Revised Annual Caps (CKEM)
“CCT(s)”	continuing connected transaction(s), having such meaning as ascribed to such term under the Listing Rules
“Existing Annual Caps (CKEM)”	the existing annual caps for the CCTs under the 2018–2020 CKEM Master Agreement for FY2018, FY2019 and FY2020 as set out in the paragraph headed “Existing Annual Caps (CKEM) and Revised Annual Caps (CKEM)” of this announcement
“Existing Annual Caps (Kawasaki)”	the annual caps for the CCTs under the 2018–2020 Kawasaki Master Agreement for FY2018, FY2019 and FY2020 as set out in the paragraph headed “Annual caps for each of the financial years ending 31 December 2018, 2019 and 2020” of the 2017 Announcement
“FY”	a financial year of the Company ended or ending 31 December
“HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Revised Annual Caps (CKEM)”	the revised annual caps for the CCTs under the 2018–2020 CKEM Master Agreement (as amended by the 2018–2020 CKEM Supplemental Master Agreement) for FY2018, FY2019 and FY2020 as set out in the paragraph headed “Existing Annual Caps (CKEM) and Revised Annual Caps (CKEM)” of this announcement
“Shareholder(s)”	holder(s) of the Shares
“%”	per cent

*In this announcement, the terms “associate”, “connected person”, “controlling shareholder”, “subsidiary” and “substantial shareholder” have the meanings given to such terms in the Listing Rules, unless the context otherwise requires.*

By Order of the Board  
**China Conch Venture Holdings Limited**  
**GUO Jingbin**  
*Chairman*

Anhui Province, the People’s Republic of China  
26 September 2019

*As at the date of this announcement, the Board comprises Mr. GUO Jingbin (Chairman), Mr. JI Qinying (Chief Executive Officer), Mr. LI Jian and Mr. LI Daming as executive Directors; Mr. CHANG Zhangli as non-executive Director; and Mr. CHAN Chi On (alias Derek CHAN), Mr. CHAN Kai Wing and Mr. LAU Chi Wah, Alex as independent non-executive Directors.*