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安徽海螺水泥股份有限公司

ANHUI CONCH CEMENT COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China)
(Stock Code: 00914)

ANNOUNCEMENT OF CONTINUING CONNECTED TRANSACTIONS: PROCUREMENT OF CEMENT GRINDING AIDS

Procurement of Cement Admixtures (Grinding Aids) Contract

The Company has determined its cement grinding aid suppliers for the second quarter to the fourth quarter of 2021 and the year of 2022 through price inquiry and comparison. According to the results of the price inquiry and comparison, Conch New Materials Company has become the Group's domestic cement grinding aid supplier. On 1 April 2021, the Company entered into the Procurement of Cement Admixtures (Grinding Aids) Contract with Conch New Materials Company, with a validity period from the date of the Contract to 31 December 2022. The aggregate transaction amount is estimated to be not more than RMB1,400,000,000, of which the annual cap amount from 1 April 2021 to 31 December 2021 is RMB600,000,000, and the annual cap amount from 1 January 2022 to 31 December 2022 is RMB800,000,000.

Reference is made to the First Quarter Announcement in connection with the First Quarter Contract entered into between the Company and Conch New Materials Company. As disclosed in the First Quarter Announcement, the transaction amount of the Group's purchase of grinding aids from Conch New Materials Company for the period from 15 January 2021 to 31 March 2021 was estimated to be not more than RMB200,000,000. As at the date of this announcement, the First Quarter Contract was completed. Based on the unaudited management accounts of the Company, the actual transaction amount was RMB190,600,000.

Listing Rules Implications

Conch Holdings, the Company's controlling shareholder, holds 100% shares in Conch Investment Company. Conch Investment Company holds 50.72% shares in Conch New Materials Company. Therefore, Conch New Materials Company is an associate of Conch

Holdings and hence a connected person of the Company. The transactions contemplated under the Procurement of Cement Admixtures (Grinding Aids) Contract thus constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the First Quarter Contract and the Procurement of Cement Admixtures (Grinding Aids) Contract were entered into between the Company with the same party within 12 months, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the First Quarter Contract and those under the Contract shall be aggregated as if they were one transaction. When calculating the annual cap amount for 2021, the maximum transaction amount of the First Quarter Contract (RMB 200,000,000) and the maximum transaction amount of the Procurement of Cement Admixtures (Grinding Aids) Contract (RMB 600,000,000) from 1 April 2021 to 31 December 2021 shall be aggregated (i.e. the annual cap amount for the year of 2021 is RMB800,000,000). As certain applicable percentage ratios (excluding profits ratio) calculated pursuant to Chapter 14 of the Listing Rules based on the largest annual cap under the Contract (i.e. the annual cap amount of RMB800,000,000 for the year of 2021 and the annual cap amount of RMB800,000,000 for the year of 2022) are more than 0.1% but each of the applicable percentage ratios is less than 5%, the transactions contemplated under the Procurement of Cement Admixtures (Grinding Aids) Contract are subject to the annual review and disclosure requirements, and are exempt from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

THE PROCUREMENT OF CEMENT ADMIXTURES (GRINDING AIDS) CONTRACT

On 1 April 2021, the Company entered into the Procurement of Cement Admixtures (Grinding Aids) Contract for procurement of cement grinding aids with Conch New Materials Company, with a validity period from the date of the Contract to 31 December 2022. The details of the Contract are as follows.

Date of the Contract:

1 April 2021

Parties to the Contract:

(1) The Company (Buyer)

The Group is principally engaged in the production and sale of cement and commodity clinker.

(2) Conch New Materials Company (Seller)

Conch New Materials Company is an enterprise established in the PRC and is principally

engaged in development, production and sales of cement additives and concrete admixtures, sales of chemical products, technology development, technology transfer, technical consulting and technical services in the field of new materials.

Conch New Materials Company is owned as to 50.72% by Conch Investment Company, 28.99% by Hubei Xintongling and 20.29% by Linyi Haihong New Material.

Conch Investment Company is a wholly-owned subsidiary of Conch Holdings, the controlling shareholder of the Company. Conch Investment Company is principally engaged in equity investment, venture capital, project investment, industrial investment, investment consulting (excluding securities and futures consulting), and entrusted asset management.

Conch Holdings is a limited liability company established in the PRC, it is mainly engaged in asset management, investment, financing, property rights transactions, production and sales of construction materials, chemical products (except dangerous goods), electronic instruments, meters, and general machinery and equipment. Conch Holdings is ultimately beneficially owned as to 51% by the State-owned Assets Supervision and Administration Commission of the People's Government of Anhui Province (through its wholly-owned state-owned company) and 49% by China Conch Venture Holdings Limited, a company listed on the Main Board of the Stock Exchange (stock code: 586) (through a hierarchy of its direct and indirect wholly-owned subsidiaries).

Hubei Xintongling is a limited liability company established in the PRC, it is principally engaged in non-securities equity investment activities and providing related consulting services. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, it is ultimately beneficially owned as to 60% and 40% by Mr. Feng Fangbo and Mr. Ming Jinlong respectively, and each of Hubei Xintongling and its ultimate beneficial owners is an independent third party of the Company.

Linyi Haihong New Material is a limited liability company established in the PRC, it is principally engaged in providing promotion services of new material technology, technology transfer, technical consultation, research and development of production technology of and sales of cement products, composite materials and wood products. To the best of the Directors' knowledge, information and belief, having made all reasonable enquiries, it is ultimately beneficially owned as to 88% and 12% by Mr. Zhao Hongyi and Mr. Chen Jun respectively, and each of Linyi Haihong New Material and its ultimate beneficial owners is an independent third party of the Company.

Major Terms of the Contract:

The Group will purchase three types of cement grinding aids, namely the composite type, the production-increasing type and the enhanced type, from Conch New Materials Company.

The purchase quantity shall be determined by the Company according to the actual needs for its cement production. Conch New Materials Company will be responsible for product transportation and the related expenses. The relevant subsidiaries of the Company shall make settlement payment within two months after receiving the invoices of each batch of products from Conch New Materials Company. The relevant subsidiaries of the Company will respectively enter into individual sub-contracts with Conch New Materials Company regarding the procurement of cement grinding aids. The major terms of these individual sub-contracts shall be in line with those of the Procurement of Cement Admixtures (Grinding Aids) Contract.

Validity of the Contract:

The Procurement of Cement Admixtures (Grinding Aids) Contract was entered into between the Company and Conch New Materials Company on 1 April 2021, and was approved by the Board of the Company to become effective on the same date. It is valid from 1 April 2021 to 31 December 2022.

Contract Price, Annual Cap and Basis for its Determination:

Contract Price and Annual Cap: According to the Group’s cement production plan for the second to the fourth quarters of 2021 and for the year of 2022 and based on the grinding aids product unit price as prescribed in “**Basis for determination of Contract Price**” below, it is estimated that from the date of the Contract to 31 December 2022, the aggregate transaction amount for the Group’s procurement of cement grinding aids from Conch New Materials Company will be not more than RMB1,400,000,000, of which the maximum transaction amount for the period from 1 April 2021 to 31 December 2021 is RMB600,000,000, and the annual cap amount for 2022 is RMB800,000,000.

Basis for determination of Contract Price: Taking into account the stability and adaptability of grinding aid products and the availability of secured supply, the Company conducted price inquiry and comparison of current top tier domestic suppliers of cement grinding aids through a comprehensive review of, among others, the financial and corporate performance, credit status, credibility of contract performance, financial status, production craftsmanship and technology, project management capabilities, overall strengths and price quotations of 3 suppliers (1 being Conch New Materials Company and the other 2 being independent third parties). Conch New Materials Company was finally selected as the Group’s domestic supplier of cement grinding aid products in consideration of its optimal overall price-performance ratio and its reliability in terms of secured supply. The unit price of composite type cement grinding aid products under the Procurement of Cement Admixtures (Grinding Aids) Contract was determined based on the results of the price inquiry and comparison as described above, and upon further competitive negotiations

between the Company and Conch New Materials Company (the price is lower than the unit price under the First Quarter Contract). The prices of the production-increasing type and the enhanced type grinding aid products are settled on the basis of the price of the composite type grinding aids products, with upward and downward adjustment of 3%. In addition, in order to protect the rights and interests of the Parties, during the validity period of the Contract, both Parties will adjust the purchase price quarterly according to the market price fluctuations (if there are major changes) of the key raw materials for the production of grinding aids.

Reference is made to the announcement of the Company dated 15 January 2021 (“**First Quarter Announcement**”) regarding the Renewed Procurement of Cement Admixtures (Grinding Aids) Contract (“**First Quarter Contract**”) signed between the Company and Conch New Materials Company on 15 January 2021, with a validity period from 15 January 2021 to 31 March 2021. As disclosed in the First Quarter Announcement, the aggregate transaction amount under the First Quarter Contract was estimated to be not more than RMB200,000,000. As at the date of this announcement, the First Quarter Contract was completed. Based on the unaudited management accounts of the Company, the actual transaction amount under the First Quarter Contract was approximately RMB190,600,000, which did not exceed the estimated aggregate transaction amount.

After the expiration of the First Quarter Contract, the Company and Conch New Materials Company entered into the new Procurement of Cement Admixtures (Grinding Aids) Contract. The Company would like to state that there was no renewal terms under the First Quarter Contract, and the Procurement of Cement Admixtures (Grinding Aids) Contract is not renewal or continuation of the First Quarter Contract. It is a new contract signed between the Parties, certain terms contained therein (including the basis for determination of the contract price) are different from those in the First Quarter Contract.

REASONS FOR THE TRANSACTIONS

With the continuous tightening of the country’s environmental protection control, the clinker resources of the cement industry are showing a tight supply condition. The use of cement grinding aids helps reducing the usage of clinker resources and energy consumption during cement production and increase output capacity, thus reducing production costs. The Company has been promoting the use of cement grinding aid products in its subsidiaries since 2019. After the Group began using cement grinding aids, cement product quality and production indicators were optimized. Therefore, the Company intends to continue to promote the use of grinding aid products among its subsidiaries. Conch New Materials Company is a key national high-tech enterprise engaged in the chain of production, operation and service of cement grinding aids and possesses a national-level enterprise technology center. Its grinding aid products production scale and comprehensive strength rank among

the top in the domestic industry. The above transactions between the Company and Conch New Materials Company will not bring significant impact on the financial position and operating results of the Company.

IMPLICATION UNDER THE LISTING RULES

Conch Holdings, the Company's controlling shareholder, holds 100% shares in Conch Investment Company. Conch Investment Company holds 50.72% shares in Conch New Materials Company. Therefore, Conch New Materials Company is an associate of Conch Holdings and hence a connected person of the Company. The transactions contemplated under the Procurement of Cement Admixtures (Grinding Aids) Contract thus constitute continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Since the First Quarter Contract and the Procurement of Cement Admixtures (Grinding Aids) Contract were entered into between the Company with the same party within 12 months, according to Rule 14A.81 of the Listing Rules, the transactions contemplated under the First Quarter Contract and those under the Contract shall be aggregated as if they were one transaction. When calculating the annual cap amount for 2021, the maximum transaction amount of the First Quarter Contract (RMB 200,000,000) and the maximum transaction amount of the Procurement of Cement Admixtures (Grinding Aids) Contract (RMB 600,000,000) from 1 April 2021 to 31 December 2021 shall be aggregated (i.e. the annual cap amount for the year of 2021 is RMB800,000,000). As certain applicable percentage ratios (excluding profits ratio) calculated pursuant to Chapter 14 of the Listing Rules based on the largest annual cap under the Contract (i.e. the annual cap amount of RMB800,000,000 for the year of 2021 and the annual cap amount of RMB800,000,000 for the year of 2022) are more than 0.1% but each of the applicable percentage ratios is less than 5%, the transactions contemplated under the Procurement of Cement Admixtures (Grinding Aids) Contract are subject to the annual review and disclosure requirements, and are exempt from independent shareholders' approval requirement under Rule 14A.76(2) of the Listing Rules.

According to the SSE Listing Rules, Conch New Materials Company is also a connected party of the Group. Therefore, the transactions contemplated under the Procurement of Cement Admixtures (Grinding Aids) Contract constitute connected transactions. Therefore, the Company also issued a provisional announcement on the SSE's website in relation to the above transactions.

DIRECTORS' APPROVAL OF AND OPINIONS

The Procurement of Cement Admixtures (Grinding Aids) Contract and the transactions as contemplated thereunder were approved unanimously by the Directors (including the independent non-executive Directors). During the Board meeting, Mr Gao Dengbang, Mr Wang Jianchao (by virtue of their positions as director or senior management of Conch

Holdings, which would render deemed connected relationships with Conch New Materials Company), Mr Ding Feng (senior management of Conch Holdings and chairman of Conch New Materials Company) and Mr Li Qunfeng (director of Conch New Materials Company) abstained from voting in respect of the relevant resolution. Save as disclosed above, none of the Directors of the Company has any material interests in the Procurement of Cement Admixtures (Grinding Aids) Contract and the transactions contemplated thereunder, or is required to abstain from voting in respect of the aforesaid resolution. The Directors (including the independent non-executive Directors) are of the view that:

- (1) the Procurement of Cement Admixtures (Grinding Aids) Contract and the transactions contemplated thereunder are in the ordinary and usual course of business of the Company and on normal or better commercial terms and are in the interests of the Company and its Shareholders as a whole;
- (2) the procedures for determining and approving the Procurement of Cement Admixtures (Grinding Aids) Contract and the transactions contemplated thereunder were in compliance with the Company Law of the PRC, the Listing Rules, the SSE Listing Rules and the articles of association of the Company; and
- (3) the terms and conditions of the Procurement of Cement Admixtures (Grinding Aids) Contract and the transactions as contemplated thereunder, including the method to determine supplier and procedure for price determination as described in the paragraph headed “Basis for determination of Contract Price” above, are agreed between the Parties on the basis of equality and mutual benefits and are in accordance with the principle of fair and equal consideration, which are fair and reasonable and is not prejudicial to the interests of the Group and the Shareholders.

DEFINITIONS

In this announcement, the following expressions shall, unless the context requires otherwise, have the following meanings:

“associate”	has the meaning ascribed thereto under the Listing Rules
“Board”	the board of Directors of the Company
“Company”	Anhui Conch Cement Company Limited (安徽海螺水泥股份有限公司), a joint stock limited company established in the PRC, with its H shares listed on the Stock Exchange and its A shares listed on the SSE

“Conch Holdings”	Anhui Conch Holdings Company Limited (安徽海螺集團有限責任公司), the controlling shareholder of the Company
“Conch Investment Company”	Anhui Conch Investment Company Limited (安徽海螺投資有限責任公司), a wholly-owned subsidiary of Conch Holdings and a connected person of the Company
“Conch New Materials Company”	Anhui Conch New Materials Technology Company Limited (安徽海螺新材料科技有限公司), a majority-owned subsidiary of Conch Investment Company and a connected person of the Company
“connected person(s)”	has the meaning ascribed thereto under the Listing Rules
“controlling shareholder”	has the meaning ascribed thereto under the Listing Rules
“Directors”	the directors of the Company
“Group”	the Company and its subsidiaries
“Hubei Xintongling”	Hubei Xintongling Equity Investment Co., Ltd. (湖北鑫統領股權投資有限公司)
“Linyi Haihong New Material”	Linyi Haihong New Material Technology Co., Ltd. (臨沂海宏新型材料科技有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Parties”	the parties of the Procurement of Cement Admixtures (Grinding Aids) Contract, namely the Company and Conch New Materials Company
“PRC”	the People’s Republic of China, which for the purpose of this announcement excludes the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
“Procurement of Cement Admixtures (Grinding Aids) Contract” or “Contract”	the Procurement of Cement Admixtures (Grinding Aids) Contract entered into between the Company and Conch New Materials Company on 1 April 2021
“RMB”	Renminbi, the lawful currency of the PRC

“Shareholder(s)”	registered holder(s) of A shares and/or H shares of the Company
“SSE”	Shanghai Stock Exchange
“SSE Listing Rules”	the Rules Governing the Listing of Stocks on Shanghai Stock Exchange
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“%”	per cent

By Order of the Board
Anhui Conch Cement Company Limited
Joint Company Secretary
Yu Shui

Wuhu City, Anhui Province, the PRC
1 April 2021

As at the date of this announcement, the Board comprises (i) Mr Gao Dengbang, Mr Wang Jianchao, Mr Wu Bin and Mr Li Qunfeng as executive Directors; (ii) Mr Ding Feng as non-executive Director; (iii) Mr Leung Tat Kwong Simon, Ms Zhang Yunyan and Mr Zhang Xiaorong as independent non-executive Directors.