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**雲建綠砼**

**— GHPC —**

**YCIH Green High-Performance Concrete Company Limited**

**雲南建投綠色高性能混凝土股份有限公司**

*(A joint stock company incorporated in the People's Republic of China with limited liability)*

**(Stock Code: 1847)**

**(1) DISCLOSEABLE AND CONTINUING CONNECTED  
TRANSACTIONS IN RELATION TO THE 2020 FINANCIAL  
SERVICES FRAMEWORK AGREEMENT**

**(2) CONTINUING CONNECTED TRANSACTIONS  
IN RELATION TO THE 2020 PRODUCTS SALES FRAMEWORK  
AGREEMENT AND THE 2020 RAW MATERIALS, PRODUCTS  
AND SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

**BACKGROUND**

Reference is made to the Prospectus regarding, among others, the Existing Continuing Connected Transactions under the 2019 Financial Services Framework Agreement, the 2019 Products Sales Framework Agreement and the 2019 Raw Materials, Products and Services Procurement Framework Agreement.

Given that the term of the 2019 Financial Services Framework Agreement is due to expire on the date of the AGM, the Company and YCIH Financial Company entered into the 2020 Financial Services Framework Agreement on March 27, 2020 for the renewal of the 2019 Financial Services Framework Agreement. Pursuant to the 2020 Financial Services Framework Agreement, YCIH Financial Company will provide a range of financial services to the Group.

Furthermore, in order to streamline the validity periods of its multiple framework agreements for continuing connected transactions, the Company and YCIH entered into the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement to replace the 2019 Products Sales Framework Agreement and the 2019 Raw Materials, Products and Services Procurement Framework Agreement, respectively.

## **LISTING RULES IMPLICATIONS**

As YCIH is a controlling Shareholder, YCIH and its associates are connected persons of the Company under the Listing Rules. As YCIH Financial Company is a subsidiary of YCIH, YCIH Financial Company is a connected person of the Company under the Listing Rules.

### **2020 Financial Services Framework Agreement**

In respect of the deposit services, the highest applicable percentage ratio exceeds 5% but is less than 25%. Such transactions constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

In respect of the bills acceptance and discount services, the highest applicable percentage ratio exceeds 5% but is less than 25% on an annual basis. Such transactions constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

In respect of the letters of guarantee services, such transactions constitute financial assistance to be provided by a connected person for the benefit of the Company. As such transactions will be on normal commercial terms (or better to the Company) and no security over the assets of the Company will be granted in respect of the transactions, they are fully exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

In respect of other financial services (including assistance in fund receipt and payment and other business approved by the CBIRC), as such services are on normal commercial terms and it is expected that all the relevant percentage ratios will be less than 5% and the total consideration will be less than HK\$3,000,000 on an annual basis, such transactions are fully exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. Should the actual transaction amount exceed the de minimis threshold in the future, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

### **2020 Products Sales Framework Agreement and 2020 Raw Materials, Products and Services Procurement Framework Agreement**

In respect of the transactions under each of the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement, the highest applicable percentage ratio exceeds 5% on an annual basis. Such transactions, together with the annual caps, are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **AGM**

The AGM will be convened by the Company to, among others, consider and, if thought fit, approve the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement and the transactions contemplated thereunder.

## **GENERAL**

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor).

Gram Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor).

A circular containing, among others, details of the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, such other information as required under the Listing Rules and a notice of the AGM, is expected to be despatched to the Shareholders on or before May 11, 2020, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **A. DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

### **I. Background**

Reference is made to the Prospectus regarding, among others, the Existing Continuing Connected Transactions under the 2019 Financial Services Framework Agreement.

Given that the term of the 2019 Financial Services Framework Agreement is due to expire on the date of the AGM, the Company and YCIH Financial Company entered into the 2020 Financial Services Framework Agreement on March 27, 2020 for the renewal of the 2019 Financial Services Framework Agreement. Pursuant to the 2020 Financial Services Framework Agreement, YCIH Financial Company will provide a range of financial services to the Group.

## **II. 2020 Financial Services Framework Agreement**

### ***Parties***

- (i) the Company (the service recipient); and
- (ii) YCIH Financial Company (the service provider).

### ***Principal terms***

On March 27, 2020, the Company entered into the 2020 Financial Services Framework Agreement with YCIH Financial Company, pursuant to which YCIH Financial Company agreed to provide the following financial services and the Company agreed to use some or all such financial services depending on its requirements:

- (i) deposit services;
- (ii) bills acceptance and discount services;
- (iii) letters of guarantee services; and
- (iv) other financial services (including assistance in fund receipt and payment and other business approved by the CBIRC).

The 2020 Financial Services Framework Agreement shall become effective upon the Company obtaining the approval of Independent Shareholders at the AGM, and shall remain valid until December 31, 2022. Subject to compliance with the Listing Rules, the 2020 Financial Services Framework Agreement may be renewed as agreed by both parties.

The other principal terms of the 2020 Financial Services Framework Agreement are as follows:

- (i) the relevant parties shall, during the term of the 2020 Financial Services Framework Agreement, enter into individual written agreements which specify and record the terms and provisions of the specific financial services transactions to be conducted in accordance with the principles and terms of the 2020 Financial Services Framework Agreement in all material aspects;
- (ii) the Company has the right to choose the financial institution, type and amount of financial services as well as timing of transaction based on its business needs and is not obligated to use the financial services provided by YCIH Financial Company; and
- (iii) YCIH Financial Company has undertaken to the Company that, during the term of the 2020 Financial Services Framework Agreement, it will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial service.

### *Pricing guideline*

- (i) With respect to deposit services, the interest rates payable by YCIH Financial Company shall not be lower than the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the Group in the same period;
- (ii) With respect to bills acceptance and discount services, the service fees or interest rates to be charged by YCIH Financial Company shall not be higher than those of the same type of service provided by major domestic commercial banks in the PRC to the Group in the same period;
- (iii) With respect to letters of guarantee services, the fees to be charged by YCIH Financial Company shall not be higher than those of the same type of service provided by major domestic commercial banks in the PRC to the Group in the same period; and
- (iv) With respect to other financial services (including assistance in fund receipt and payment and other business approved by the CBIRC), the fees to be charged by YCIH Financial Company shall not be higher than those of the same type of service charged by major domestic commercial banks in the PRC to the Group in the same period.

Before the Group utilizes any services provided by YCIH Financial Company, the Group will obtain quotes from at least three major domestic commercial banks in the PRC for the provision of the same or similar services and compare such quotes against the terms offered by YCIH Financial Company to decide whether to use the services of YCIH Financial Company.

### **III. Historical Amounts and Proposed Caps**

#### *Historical amounts*

The historical transaction amounts for the daily balance of deposits placed by the Group with YCIH Financial Company (including interest accrued thereon) and the provision of bills acceptance and discount services by YCIH Financial Company to the Group for each of the three years ended December 31, 2017, 2018 and 2019 are as follows:

	<b>Historical amount</b>		
	<b>Year ended December 31,</b>		
	2017	2018	2019
	<i>(RMB million)</i>		
Deposit services — maximum daily balance (including interest accrued thereon)	283.90	238.85	262.00
Bills acceptance and discount services	32.55	15.13	22.75

### ***Proposed caps***

The proposed cap in respect of the daily balance of deposits placed by the Group with YCIH Financial Company (including interest accrued thereon) during the term of the 2020 Financial Services Framework Agreement is RMB150 million.

The proposed annual caps for the provision of bills acceptance and discount services by YCIH Financial Company to the Group for each of the three years ending December 31, 2020, 2021 and 2022 are as follows:

	<b>Proposed annual cap</b>		
	<b>Year ending December 31,</b>		
	2020	2021	2022
	<i>(RMB million)</i>		
Bills acceptance and discount services	100	100	100

### **IV. Basis of the Proposed Caps**

#### ***Deposit services***

In arriving at the proposed cap for the provision of deposit services during the term of the 2020 Financial Services Framework Agreement, the Directors considered the following:

- (i) the historical maximum daily balance (including interest accrued thereon) for the three years ended December 31, 2017, 2018 and 2019; and
- (ii) the Group's cash and bank deposit balances, amount of receivables and its needs for capital management.

#### ***Bills acceptance and discount services***

In arriving at the proposed annual caps for the provision of bills acceptance and discount services under the 2020 Financial Services Framework Agreement for the three years ending December 31, 2020, 2021 and 2022, the Directors considered the following:

- (i) the business expansion of the Group and the corresponding increasing demand for bills acceptance and discount services, with the total amount of bills acceptance and discount of the Group in respect of utilizing services from both YCIH Finance Company and independent third party service providers reaching approximately RMB262.37 million for the year ended December 31, 2019;
- (ii) the Group's intention to achieve faster capital recovery and improve fund utilization efficiency through using more bills acceptance and discounts services from YCIH Financial Company, with which the Group is believed to maintain a good relationship and may get favorable terms for such transactions; and
- (iii) YCIH Financial Company's capability of satisfying the needs of the Group for short-term cash liquidity through development of its business over the years.

## **V. Internal Control and Corporate Governance Measures**

The Company has adopted the following measures with respect to the transactions contemplated under the 2020 Financial Services Framework Agreement in order to further safeguard the interests of the Shareholders:

### ***(i) Independent Shareholders' approval***

The Independent Shareholders have the right to ensure that the terms of the deposit services and bills acceptance and discount services under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Appropriate disclosure of the historical and ongoing transactions between the Group and YCIH Financial Company which will continue under the 2020 Financial Services Framework Agreement will be made in a circular so as to enable Independent Shareholders to make informed decisions. If Independent Shareholders' approval cannot be obtained, the Group will not continue the transactions under the 2019 Financial Services Framework Agreement after its term expires unless the applicable requirements of Chapter 14A of the Listing Rules are complied with.

### ***(ii) Independent financial system***

The Company has established a finance department, which operates without influence from YCIH Financial Company. The Company has adopted a financial management system to guide and monitor its financial activities. The Group also maintains accounts with external independent banks, and does not share any bank accounts with YCIH Financial Company. YCIH Financial Company cannot control the use of any of the Group's bank accounts. The Company has an independent tax registration and has paid tax independently pursuant to applicable PRC laws and regulations.

### ***(iii) Internal control and risk management measures***

- The Company has formulated comprehensive financial and fund management rules and regulations to safeguard against fund risks, strengthen its internal financial management and regulate financing activities. The Company has set up an integrated financial management system on planning, budgeting and assessment. The Board is the responsible body in this respect. The Company will adhere to the principles of financing at the Group level, and will make decisions after taking into account the proper scale, the reasonableness of structure and the balance between costs and risks. In addition, the Company's enterprise management department will be responsible for monitoring such ongoing continuing connected transactions under the 2020 Financial Services Framework Agreement and will submit matters to the Board for consideration as appropriate.

- Pursuant to the 2020 Financial Services Framework Agreement, YCIH Financial Company shall provide the Company with information such as annual and interim financial statements, to enable the Company to understand and review the financial condition of YCIH Financial Company. YCIH Financial Company shall notify the Company, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If the Company considers that there is any material adverse change in the financial condition of YCIH Financial Company, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect its financial position.
- The Company's independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions conducted under the 2020 Financial Services Framework Agreement. If a majority of the independent non-executive Directors reasonably consider that it would be in the Company's interests to reduce the level of financial services with YCIH Financial Company, the Company will take appropriate steps to implement the decision of the independent non-executive Directors. Information on the transactions conducted under the 2020 Financial Services Framework Agreement and the views of the independent non-executive Directors on the transactions conducted under the 2020 Financial Services Framework Agreement will be disclosed in the annual reports of the Company.
- During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and YCIH Financial Company to ensure that the transactions under the 2020 Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the caps thereunder.
- The Company will monitor the continuing connected transactions in accordance with the procedures set forth in the Company's connected transactions management system, in particular to ensure that the Company will monitor the Group's daily balances with YCIH Financial Company in a timely manner. The Company's responsible financial person shall check the balances through the relevant IT system(s) on a daily basis, and promptly report to the Company's chief financial officer if such daily balances are close to exceeding, or likely to exceed the proposed caps.

The aforesaid internal control and risk management measures will be able to mitigate to the largest extent the financial risks to which the Company may be exposed, and safeguard the interests of the Company and its Shareholders. The Directors are of the view that the above internal control and risk management measures are reasonable and effective in monitoring the transactions in all material respects.



## **VI. Reasons for and Benefits of Entering into the 2020 Financial Services Framework Agreement**

The Directors are of the view that the transactions under the 2020 Financial Services Framework Agreement are beneficial to the Group for the following reasons:

- (i) YCIH Financial Company is a non-banking financial institution and a subsidiary of YCIH. Through the Company's previous cooperation with YCIH Financial Company, the Company believes that it understands the Company's characteristics, capital structures, business operations, financing need, cash flow patterns and entire financial management system. YCIH Financial Company provides services to the Group on equal or better commercial terms compared to those offered by major domestic commercial banks in the PRC. In addition, as it is a major clearing and settlement platform of YCIH and its associates, the Company believes it could reduce costs and maximize efficiency by using the services from YCIH Financial Company;
- (ii) YCIH Financial Company has undertaken to the Company that, during the term of the 2020 Financial Services Framework Agreement, it will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial service; and
- (iii) the Group is not prohibited or restricted in any way to use financial services provided by other commercial banks or independent financial institutions in the open market, and the Company retains discretion to make its selection according to its own business needs as well as the terms and quality of such services. The Group may (but is not obliged to) utilize the financial services provided by YCIH Financial Company so as to deploy and manage its financial resources flexibly and efficiently.

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from Gram Capital) are of the view that the terms of the transactions contemplated under the 2020 Financial Services Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Liu Guangcan, who holds a position with YCIH, has abstained from voting on the Board resolution in relation to the 2020 Financial Services Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2020 Financial Services Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2020 Financial Services Framework Agreement.

## **B. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 PRODUCTS SALES FRAMEWORK AGREEMENT**

### **I. Background**

Reference is made to the Prospectus regarding, among others, the Existing Continuing Connected Transactions under the 2019 Products Sales Framework Agreement.

In order to streamline the validity periods of its multiple framework agreements for continuing connected transactions, the Company and YCIH entered into the 2020 Products Sales Framework Agreement to replace the 2019 Products Sales Framework Agreement.

The Group has always been committed to expanding its products market and increasing its market share externally while limiting the proportion of sales of products to its connected persons. However, in view of the expected increase in products sales to YCIH and its associates for the three years ending December 31, 2020, 2021 and 2022, the Company proposes to revise the annual caps for the transactions of sales of products for each of the two years ending December 31, 2020 and 2021 and set an annual cap for the same for the year ending December 31, 2022.

### **II. 2020 Products Sales Framework Agreement**

#### *Parties*

- (i) the Company (the seller); and
- (ii) YCIH (the purchaser)

#### *Principal terms*

On March 27, 2020, the Company entered into the 2020 Products Sales Framework Agreement with YCIH, pursuant to which the Group agreed to sell concrete, aggregates and other products to YCIH and its associates. The 2020 Products Sales Framework Agreement shall become effective upon the Company obtaining the approval of Independent Shareholders at the AGM, and shall remain valid until December 31, 2022. Subject to compliance with the Listing Rules, the 2020 Products Sales Framework Agreement may be renewed as agreed by both parties.

During the term of the 2020 Products Sales Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific sales transactions to be conducted in accordance with the principles and terms of the 2020 Products Sales Framework Agreement in all material aspects.

## *Pricing guideline*

Under the 2020 Products Sales Framework Agreement, the price of the products shall be determined as follows:

- (i) the price of the products shall be determined in accordance with the pricing policies and guidelines adopted and regularly reviewed by the Company for the sales of products to all customers with reference to upstream materials and product prices and other costs, and be generally in line with the prevailing market price at which the same type of product is provided by the Group to an independent third party customer on normal commercial terms; the following factors will also be taken into account to determine the prevailing market price: the price the Group offers to the independent third party customers for the same type of product, the payment terms, the specific requirements of the parties, the quality of the products required and the geographical areas where the products are provided, etc., to ensure the price will be no less favorable to the Group than that of the same type of product it provides to independent third party customers; and
- (ii) in the unlikely event that no comparable market price can be taken, experts in the Group with sufficient industry experience shall opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to ensure the price would be fair and reasonable to the Group and no less favorable to the Group than the price it offers to independent third party customers.

The Company shall adopt the following methods and procedures to ensure adherence to the aforesaid pricing policies and guidelines:

- (i) the Company's enterprise management department shall formulate and publish price lists setting out guidance prices and minimum prices for sales of concrete which apply to transactions with independent third party customers as well as connected persons. Such price lists shall be prepared with reference to (a) price information of each relevant region set out in the Price Information for Construction and Engineering Material and Equipment of Yunnan Province (《雲南省建設工程材料及設備價格信息》) published by the Office of Construction, Engineering, Technology and Economy of Yunnan Province (雲南省工程建設技術經濟室); and (b) information collected through market price research conducted by its subsidiaries or branches in each relevant region of sales on a monthly basis;
- (ii) when negotiating each transaction agreement to be entered into under the 2020 Products Sales Framework Agreement, pricing related documents such as quotation sheets, if required by customer, shall be approved in the following manner: (a) where the price offered to customers is equal to or higher than the relevant guidance price set out in the price lists, the relevant documents shall be approved by the manager of the relevant subsidiary or branch of the Company; and (b) where the price offered to customers is lower than the relevant guidance price set out in the price lists, the relevant documents shall be approved by the responsible deputy general manager of the Company;

- (iii) each agreement to be entered into under the 2020 Products Sales Framework Agreement shall be approved by the general manager or the chairman of the Company to ensure that the sales prices and other key terms are in accordance with normal commercial terms as well as the Company's pricing policies and guidelines; and
- (iv) the Company's enterprise management department shall be responsible for monitoring the continuing connected transactions conducted under the 2020 Products Sales Framework Agreement and shall collect information of actual transactions on a monthly basis to review and assess whether the transactions are conducted in accordance with the terms of their respective agreements and ensure that the actual transaction amounts do not exceed the proposed annual caps.

### III. Historical Amounts and Proposed Annual Caps

#### *Historical amounts*

The historical transaction amounts for the sales of products to YCIH and its associates for each of the three years ended December 31, 2017, 2018 and 2019 are as follows:

	<b>Historical amount</b>		
	<b>Year ended December 31,</b>		
	2017	2018	2019
	<i>(RMB million)</i>		
Sales of products to YCIH and its associates	2,618.00	2,459.81	2,522.00

#### *Proposed annual caps*

<b>Existing annual caps</b>		<b>Proposed revised annual caps</b>		<b>Proposed annual cap</b>
<b>Year ending December 31,</b>		<b>Year ending December 31,</b>		
<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>(RMB million)</i>		
2,706	2,872	3,000	3,400	3,900

### IV. Basis of the Proposed Annual Caps

In arriving at the proposed revised annual caps for the years ending December 31, 2020 and 2021 and the proposed annual cap for the year ending December 31, 2022, the Directors considered the following:

- (i) the historical transaction amounts for the three years ended December 31, 2017, 2018 and 2019; and

(ii) the expected growth in the sales of products to YCIH and its associates for the three years ending December 31, 2020, 2021 and 2022 taking into account:

- a larger than expected demand from YCIH and its associates in terms of concrete supply in 2019 and construction delays in certain large-scale projects to which the Group supplies concrete, resulting in more transactions to be completed in 2020 than originally estimated;
- the expected volume of sales to YCIH and its associates for the year ending December 31, 2020, based on the transaction amounts for outstanding contract value and contracts to be signed, including an expected increase in supply of concrete to YCIH and its associates for their large-scale infrastructure projects which will commence construction in 2020 and the Group's supply of concrete for certain property construction works of YCIH and its associates; and
- an expected further increase in the sales to YCIH and its associates for the two years ending December 31, 2021 and 2022, mostly attributable to the promotion of major infrastructure construction projects in Yunnan Province, in which YCIH, a dominant industry player, is expected to heavily participate, and the Group being among the few that has the capabilities to provide reliable and sufficient concrete supply to meet the substantial needs of YCIH and its associates in such construction projects.

## **V. Reasons for and Benefits of Entering into the 2020 Products Sales Framework Agreement**

The Directors are of the view that the transactions under the 2020 Products Sales Framework Agreement are beneficial to the Group for the following reasons:

- (i) the Group and YCIH and/or its associates have developed a long-term relationship. Through years of cooperation, the Company believes that YCIH and the Group have a mutual understanding of each other's planning of operation, quality control as well as specific requirements, which will enable smooth operation and help save costs;
- (ii) the Group is among the few that has the capabilities to provide reliable and sufficient supply to meet the substantial needs of YCIH and its associates in their construction business operations. The Group is also capable of the research and development, design and production of different types of concrete in order to satisfy the requirements of the different projects of YCIH and its associates;
- (iii) while the Group's independent third party customers are carefully selected based on a number of factors including their creditworthiness, the Company believes that the risk of default by YCIH or its associates is even lesser than that of the Group's independent third party customers as YCIH is a state-owned enterprise in the PRC. Furthermore, by supplying its products to YCIH and its associates that often undertake high profile and demanding projects in Yunnan Province, the Company believes that it can build up its own profile and boost its reputation among its existing and potential customers; and
- (iv) the prices and terms for the sales of products by the Group to YCIH and its associates would be no less favorable than those the Group offers to independent third party customers.

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from Gram Capital) are of the view that the terms of the transactions contemplated under the 2020 Products Sales Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Liu Guangcan, who holds a position with YCIH, has abstained from voting on the Board resolution in relation to the 2020 Products Sales Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2020 Products Sales Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2020 Products Sales Framework Agreement.

## **C. CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2020 RAW MATERIALS, PRODUCTS AND SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

### **I. Background**

Reference is made to the Prospectus regarding, among others, the Existing Continuing Connected Transactions under the 2019 Raw Materials, Products and Services Procurement Framework Agreement.

In order to streamline the validity periods of its multiple framework agreements for continuing connected transactions, the Company and YCIH entered into the 2020 Raw Materials, Products and Services Procurement Framework Agreement to replace the 2019 Raw Materials, Products and Services Procurement Framework Agreement.

The Group has always been committed to reducing its procurement costs and continuously improving the competitiveness of its products. In view of the expected increase in its raw materials procurement for the three years ending December 31, 2020, 2021 and 2022, the Company proposes to revise the annual caps for the transactions of procurement of raw materials, products and services for each of the two years ending December 31, 2020 and 2021 and set an annual cap for the same for the year ending December 31, 2022.

### **II. 2020 Raw Materials, Products and Services Procurement Framework Agreement**

#### ***Parties***

- (i) the Company (the purchaser and the service recipient); and
- (ii) YCIH (the seller and service provider).

### ***Principal terms***

On March 27, 2020, the Company entered into the 2020 Raw Materials, Products and Services Procurement Framework Agreement with YCIH, pursuant to which the Group agreed to procure raw materials, products and services from YCIH and its associates. The raw materials, products and services to be procured thereunder include, without limitation, the following:

- (i) raw materials: cement, aggregates and others;
- (ii) products: production equipment and other products used in the Company's production operations; and
- (iii) services: construction services, property management services and consultancy services, etc..

The 2020 Raw Materials, Products and Services Procurement Framework Agreement shall become effective upon the Company obtaining the approval of Independent Shareholders at the AGM, and shall remain valid until December 31, 2022. Subject to compliance with the Listing Rules, the 2020 Raw Materials, Products and Services Procurement Framework Agreement may be renewed as agreed by both parties.

During the term of the 2020 Raw Materials, Products and Services Procurement Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific procurement transactions to be conducted in accordance with the principles and terms of the 2020 Raw Materials, Products and Services Procurement Framework Agreement in all material aspects.

### ***Pricing guideline***

Under the 2020 Raw Materials, Products and Services Procurement Framework Agreement, the prices shall be determined as follows:

With respect to raw materials:

- (i) the price shall be generally in line with the prevailing market price at which the same type of raw material is provided to the Group by independent third party suppliers on normal commercial terms. The Group will conduct market research and regularly contact its suppliers (including both YCIH and/or its associates and independent third party suppliers) to understand the market conditions and determine the prevailing market price of the relevant type of raw material; and
- (ii) where a public tendering or a competitive negotiation process is required for the procurement of the relevant raw material, the price shall be determined based on the results of such process in accordance with the Company's internal regulations and rules applicable to all suppliers of the same type of raw material. Pursuant to such regulations and rules, if YCIH and/or its associates win the bid, the terms they offer, including the price quoted, shall be no less favorable than those offered by any independent third party supplier that participates in the process.

With respect to products:

- (i) the price shall be generally in line with the prevailing market price at which the same type of product is provided to the Group by independent third party suppliers on normal commercial terms; to determine the prevailing market price, reference will be made to the historical prices of the same type of product, where applicable, the guidance price published by authoritative organizations and institutions and costs for the relevant product determined through market research to ensure the price will be no less favorable to the Group than that of the same type of product provided to the Group by independent third party suppliers; and
- (ii) where a public tendering or a competitive negotiation process is required for the procurement of the relevant product, the price shall be determined based on the results of such process in accordance with the Company's internal regulations and rules applicable to all suppliers of the same type of product. Pursuant to such regulations and rules, if YCIH and/or its associates win the bid, the terms they offer, including the price quoted, shall be no less favorable than those offered by any independent third party supplier that participates in the process.

With respect to services:

- (i) the price of construction services shall be determined with reference to the pricing guideline and method as set out in the Pricing Guidelines for Construction and Engineering of Yunnan Province (2013 Edition) (《雲南省 2013 版建設工程造價計價依據》) and where a public tendering process is conducted for the procurement, based on the results of such process;
- (ii) the price of the property management services shall be determined with reference to the prevailing market rates and conditions for the same type of service provided in the neighboring area, taking into account factors such as the geographical location, the standard and quality of services and the condition of the property; and
- (iii) the price of consultancy services shall be determined with reference to the prevailing market rates at which the same type of service is provided to the Company by independent third party service providers on normal commercial terms.

Besides the methods and procedures set out above, the Company will also monitor the continuing connected transactions in accordance with the procedures set forth in the Company's connected transactions management rules. The Company's enterprise management department shall be responsible for monitoring the continuing connected transactions conducted under the 2020 Raw Materials, Products and Services Procurement Framework Agreement and shall collect information of actual transactions on a quarterly basis to review and assess whether the transactions are conducted in accordance with the terms of their respective agreements and ensure that the actual transaction amounts do not exceed the proposed annual caps. In addition, the Group will obtain quotes from at least three independent third party suppliers in the public tendering, competitive negotiation or price inquiry process carried out for the purpose of procurement of the relevant raw materials and products.



### III. Historical Amounts and Proposed Annual Caps

#### *Historical amounts*

The historical transaction amounts for the procurement of raw materials, products and services from YCIH and its associates for each of the three years ended December 31, 2017, 2018 and 2019 are as follows:

	<b>Historical amount</b>		
	<b>Year ended December 31,</b>		
	2017	2018	2019
	<i>(RMB million)</i>		
Procurement of raw materials, products and services from YCIH and its associates	266.63	189.94	166.00

#### *Proposed annual caps*

<b>Existing annual caps</b>		<b>Proposed revised annual caps</b>		<b>Proposed annual cap</b>
		<b>Year ending December 31,</b>		
<b>2020</b>	<b>2021</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>
		<i>(RMB million)</i>		
249	244	430	460	500

### IV. Basis of the Proposed Annual Caps

In arriving at the proposed revised annual caps for the years ending December 31, 2020 and 2021 and the proposed annual cap for the year ending December 31, 2022, the Directors considered the following:

- (i) the historical transaction amounts for the three years ended December 31, 2017, 2018 and 2019;
- (ii) a corresponding expected increase in the procurement of raw materials such as cement due to the Group's business expansion and expected increase in its sales of products;
- (iii) the expected volume of procurement from YCIH and its associates for the year ending December 31, 2020, based on the number of projects they have undertaken, in particular, large-scale projects which will commence construction in 2020; and
- (iv) the multiple bids in which YCIH and its associates participated as part of the public tendering process conducted by the Group for the procurement of raw materials and the likelihood of YCIH and its associates winning such bids.

## **V. Reasons for and Benefits of Entering into the 2020 Raw Materials, Products and Services Procurement Framework Agreement**

The Directors are of the view that the transactions under the 2020 Raw Materials, Products and Services Procurement Framework Agreement are beneficial to the Group for the following reasons:

- (i) the Group and YCIH and/or its associates have developed a long-term relationship. Through years of cooperation, the Company believes that the Group and YCIH have a mutual understanding of each other's way of operation, quality control as well as specific requirements, which will enable smooth cooperation and operation and help save costs;
- (ii) YCIH is the largest construction enterprise in Yunnan Province and the operations of YCIH and its associates also cover construction related areas such as manufacturing, survey, design, research and consultancy. YCIH and its associates are capable of supplying the Group with raw materials, products and services with sufficient quantity, reliable quality, favorable terms and in a timely manner, which will ensure the smooth business operation of the Group;
- (iii) the Group uses the property management services provided by YCIH and/or its associates for the properties leased from YCIH and/or its associates, as a subsidiary of YCIH, which has over 30 years of experience in the provision of property management services, is dedicated to providing professional property management services to properties of YCIH, which will ensure the quality and timeliness of the services; and
- (iv) the prices and terms for the procurement of raw materials, products and services by the Group from YCIH and its associates would be no less favorable to the Company than those provided by independent third party suppliers. In particular, where a public tendering or a competitive negotiation process is required for the selection of suppliers, YCIH and its associates shall go through the same process in accordance with its internal regulations and rules applicable to all suppliers of the same type of raw materials, products and services. Pursuant to such regulations and rules, if YCIH and/or its associates win the bid, the terms they offer, including the price quoted, shall be no less favorable than those offered by any independent third party supplier that participates in the process.

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from Gram Capital) are of the view that the terms of the transactions contemplated under the 2020 Raw Materials, Products and Services Procurement Framework Agreement are fair and reasonable and in the interests of the Shareholders as a whole.

Mr. Liu Guangcan, who holds a position with YCIH, has abstained from voting on the Board resolution in relation to the 2020 Raw Materials, Products and Services Procurement Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the 2020 Raw Materials, Products and Services Procurement Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2020 Raw Materials, Products and Services Procurement Framework Agreement.

## **D. LISTING RULES IMPLICATIONS**

As YCIH is a controlling Shareholder, YCIH and its associates are connected persons of the Company under the Listing Rules. As YCIH Financial Company is a subsidiary of YCIH, YCIH Financial Company is a connected person of the Company under the Listing Rules.

### **2020 Financial Services Framework Agreement**

In respect of the deposit services, the highest applicable percentage ratio exceeds 5% but is less than 25%. Such transactions constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

In respect of the bills acceptance and discount services, the highest applicable percentage ratio exceeds 5% but is less than 25% on an annual basis. Such transactions constitute discloseable transactions and non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapters 14 and 14A of the Listing Rules.

In respect of the letters of guarantee services, such transactions constitute financial assistance to be provided by a connected person for the benefit of the Company. As such transactions will be on normal commercial terms (or better to the Company) and no security over the assets of the Company will be granted in respect of the transactions, they are fully exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.90 of the Listing Rules.

In respect of other financial services (including assistance in fund receipt and payment and other business approved by the CBIRC), as such services are on normal commercial terms and it is expected that all the relevant percentage ratios will be less than 5% and the total consideration will be less than HK\$3,000,000 on an annual basis, such transactions are fully exempt from all reporting, announcement, annual review and Independent Shareholders' approval requirements pursuant to Rule 14A.76 of the Listing Rules. Should the actual transaction amount exceed the de minimis threshold in the future, the Company will comply with the applicable requirements under Chapter 14A of the Listing Rules.

### **2020 Products Sales Framework Agreement and 2020 Raw Materials, Products and Services Procurement Framework Agreement**

In respect of the transactions under each of the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement, the highest applicable percentage ratio exceeds 5% on an annual basis. Such transactions, together with the annual caps, are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

## **INFORMATION ON THE PARTIES**

### **Information on the Company and the Group**

The Company is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange (Stock Code: 1847).

The Group is primarily engaged in the production and sales of ready-mixed concrete and related products as well as the provision of quality and technology management service in the PRC.

### **Information on YCIH**

YCIH, a controlling Shareholder, is a limited liability company established in the PRC in 2016. It is a wholly state-owned entity which, as at the date of this announcement, is held as to 90.27% by the Yunnan SASAC and as to 9.73% by the Yunnan Provincial Department of Finance (雲南省財政廳) and operates under the supervision and regulation of the Yunnan SASAC.

YCIH and its subsidiaries (including the Group) are primarily engaged in, among others, infrastructure construction, urban construction and development, real estate development, commercial concrete production and building materials and equipment supply in the PRC and internationally.

### **Information on YCIH Financial Company**

YCIH Financial Company is a non-banking financial institution incorporated in the PRC on December 28, 2015. It is a subsidiary of YCIH which, as at the date of this announcement, is held as to 50% directly by YCIH and as to 50% by two non-wholly-owned subsidiaries of YCIH, namely, 40% by Yunnan Urban and Rural Construction Investment Company Limited\* (雲南省城鄉建設投資有限公司) and 10% by Yunnan Construction First Water Conservancy and Hydropower Construction Limited\* (雲南建設第一水利水電建設有限公司).

YCIH Financial Company is primarily engaged in the provision of financial services to member enterprises of YCIH Group and its operation is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and CBIRC.

### **AGM**

The AGM will be convened by the Company to, among others, consider and, if thought fit, approve the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement and the transactions contemplated thereunder.

YCIH and its associates are required to abstain from voting at the AGM in respect of the resolutions to approve the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than YCIH and its associates is required to abstain from voting at the AGM.

## **GENERAL**

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor)..

Gram Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor).

A circular containing, among others, details of the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement, a letter from the Independent Board Committee, a letter from the Independent Financial Adviser, such other information as required under the Listing Rules and a notice of the AGM, is expected to be despatched to the Shareholders on or before May 11, 2020, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

## **DEFINITIONS**

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

“2019 Financial Services Framework Agreement”	the financial services framework agreement dated October 15, 2019 entered into between the Company and YCIH Financial Company
“2019 Products Sales Framework Agreement”	the products sales framework agreement dated September 25, 2019 entered into between the Company and YCIH
“2019 Raw Materials, Products and Services Procurement Framework Agreement”	the raw materials, products and services procurement framework agreement dated September 25, 2019 entered into between the Company and YCIH
“2020 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and YCIH Financial Company on March 27, 2020, pursuant to which YCIH Financial Company agreed to provide a range of financial services and the Company agreed to use some or all such financial services depending on its requirements

“2020 Products Sales Framework Agreement”	the products sales framework agreement entered into between the Company and YCIH on March 27, 2020, pursuant to which the Group agreed to sell concrete, aggregates and other products to YCIH and its associates
“2020 Raw Materials, Products and Services Procurement Framework Agreement”	the raw materials, products and services procurement framework agreement entered into between the Company and YCIH on March 27, 2020, pursuant to which the Group agreed to procure raw materials, products and services from YCIH and its associates
“AGM”	the annual general meeting of the Company to be convened for the year ended December 31, 2019
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“CBIRC”	The China Banking and Insurance Regulatory Commission ( 中國銀行保險監督管理委員會 )
“Company”	YCIH Green High-Performance Concrete Company Limited ( 雲南建投綠色高性能混凝土股份有限公司 ), a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Stock Exchange (Stock Code: 1847)
“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Existing Continuing Connected Transactions”	the existing continuing connected transactions contemplated under any of the 2019 Financial Services Framework Agreement, the 2019 Products Sales Framework Agreement or the 2019 Raw Materials, Products and Services Procurement Framework Agreement
“Group”	the Company and its subsidiaries
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

“Independent Board Committee”	the board committee, comprising Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun, the independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor)
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, being a licensed corporation to carry out Type 6 (advising on corporate finance) regulated activity under the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) and the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the terms of the deposit services and bills acceptance and discount services contemplated under the 2020 Financial Services Framework Agreement (including the proposed caps therefor) and the transactions contemplated under the 2020 Products Sales Framework Agreement and the 2020 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed caps therefor)
“Independent Shareholders”	Shareholders other than YCIH and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“PBOC”	People’s Bank of China ( 中國人民銀行 )
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan
“Prospectus”	the prospectus of the Company dated October 21, 2019
“RMB”	Renminbi yuan, the lawful currency of the PRC
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

“YCIH”	Yunnan Construction and Investment Holding Group Co., Ltd.* ( 雲南省建設投資控股集團有限公司 ), a limited liability company established in the PRC and a controlling Shareholder
“YCIH Financial Company”	Yunnan Construction and Investment Holding Group Financial Management Company Limited* ( 雲南建投集團財務有限公司 ), a limited liability company established in the PRC, a subsidiary of YCIH and a connected person of the Company
“Yunnan SASAC”	State-Owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government ( 雲南省人民政府國有資產監督管理委員會 )
“%”	per cent

\* *For identification purposes only*

By Order of the Board  
**YCIH Green High-Performance Concrete Company Limited**  
**Ma Minchao**  
*Chairman*

Kunming, China, March 27, 2020

*As at the date of this announcement, the Board comprises Mr. Ma Minchao, Mr. Rao Ye, Mr. Lu Jianfeng and Ms. Hu Zhurong as executive Directors, Mr. Liu Guangcan and Mr. He Jianqiang as non-executive Directors and Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun as independent non-executive Directors.*