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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)

**ANNOUNCEMENT
CONTINUING CONNECTED TRANSACTIONS IN RELATION
TO THE HIGHWAY PROJECTS BATCHING
PLANTS LEASING FRAMEWORK AGREEMENT**

On August 24, 2021, the Company entered into the Highway Projects Batching Plants Leasing Framework Agreement with YCIH, pursuant to which YCIH and its associates agreed to lease batching plants equipment and construction facilities in relation to highway projects to the Group during the term of the Highway Projects Batching Plants Leasing Framework Agreement.

LISTING RULES IMPLICATIONS

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

In respect of the transactions contemplated under the Highway Projects Batching Plants Leasing Framework Agreement, the highest applicable percentage ratio exceeds 5%. Such transactions, together with the proposed annual caps, are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

EGM

The EGM will be convened by the Company to, among others, consider and, if thought fit, approve the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Highway Projects Batching Plants Leasing 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 EGM is expected to be despatched to the Shareholders on or before September 30, 2021, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

I. INTRODUCTION

As the leading concrete enterprise in Yunnan Province with the strongest concrete supply capacity, the Company always participates in the highway construction projects in Yunnan Province to the largest extent and supplies concrete for large-scale highway projects. Along with the release of the “14th Five-Year Plan” for Regional Coordinated Development of Yunnan Province (2021-2025, Consultation Draft) in July 2021, the direction of infrastructure development in Yunnan Province has become clearer and the “connectivity (互聯互通)” project will be fully launched in Yunnan Province on the basis of the “as passable as possible (能通全通)” project for county highways. It’s expected that there are 78 newly-commenced highway projects in Yunnan Province with a length of 6,024 kilometers. YCIH, as the largest construction enterprise in Yunnan Province, will undertake such highway projects to the largest extent. Considering that the Company does not have batching plants in the surrounding areas of such highway projects that will commence construction in recent years and the existing batching plants of the Company cannot cover the area of such highway projects due to the limit of transportation radius, the Company intends to lease batching plants equipment and construction facilities from YCIH and its associates in order to fully explore the highway projects opportunities, reduce intensively significant capital expenditure and realize asset-light operation.

On August 24, 2021, the Company entered into the Highway Projects Batching Plants Leasing Framework Agreement with YCIH, pursuant to which YCIH and its associates agreed to lease batching plants equipment and construction facilities in relation to highway projects to the Group during the term of the Highway Projects Batching Plants Leasing Framework Agreement.

II. HIGHWAY PROJECTS BATCHING PLANTS LEASING FRAMEWORK AGREEMENT

Parties

- (i) YCIH (the lessor); and
- (ii) the Company (the lessee).

Principal terms

On August 24, 2021, the Company entered into the Highway Projects Batching Plants Leasing Framework Agreement with YCIH, pursuant to which YCIH and its associates agreed to lease batching plants equipment and construction facilities in relation to highway projects to the Group during the term of the Highway Projects Batching Plants Leasing Framework Agreement. The batching plants equipment and construction facilities to be leased thereunder include, without limitation, the followings:

- (i) production equipment of batching plants and other equipment used in the operation of batching plants, such as concrete mixer and batching machine; and
- (ii) construction facilities.

The Highway Projects Batching Plants Leasing Framework Agreement shall become effective upon the Company obtaining the approval of Independent Shareholders at the EGM, and shall remain valid until December 31, 2023. Subject to compliance with the Listing Rules, the Highway Projects Batching Plants Leasing Framework Agreement may be renewed as agreed by both parties.

During the term of the Highway Projects Batching Plants Leasing Framework Agreement, the relevant parties will enter into individual written agreements which specify and record the terms and provisions of the specific transactions to be conducted in accordance with the principles and terms of the Highway Projects Batching Plants Leasing Framework Agreement in all material aspects.

Pricing guideline

- (i) The rental for leasing batching plants equipment shall be determined in accordance with the market purchase price of relevant equipment, management fees and taxes after arm's length negotiations between the parties to the agreement. The rental shall be generally in line with the prevailing market price at which the same type of equipment is leased to the Group by independent third party lessors on normal commercial terms. Where a public tendering or invited tendering is required for the leasing of relevant equipment, the rental shall be determined based on the results of such process in accordance with the Company's internal regulations and rules applicable to all lessors of the same type of equipment.

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 lessors that participates in the process;

- (ii) The rental for leasing construction facilities shall be determined in accordance with the construction costs, management fees and taxes after arm's length negotiations between the parties to the agreement. The construction costs shall consist of field engineering fees and construction costs for auxiliary facilities, including but not limited to plants, laboratories, supporting facilities for office and living and stock ground. Considering that it is the first time for both parties to cooperate in relation to batching plants leasing, YCIH has agreed to waive the management fees for leasing construction facilities during the term of the Highway Projects Batching Plants Leasing Framework Agreement;
- (iii) The lessor shall be responsible for maintenance and repair of the batching plants equipment and construction facilities; and
- (iv) The lessor shall be responsible for transportation of the equipment, tearing down the construction facilities, land reclamation, and payment of relevant expenses thereof after the conclusion of the lease term.

The enterprise management department and the equipment information department of the Company will obtain quotes from at least three lessors (at least two of which shall be independent third parties) in the public tendering or invited tendering carried out for the purpose of leasing batching plants equipment. In addition, the final terms entered into between the party which secured the transaction (regardless of it being a connected person or an independent third party) and the Group shall be consistent with the key terms pre-determined and specified by the Group in the relevant tender document circulated before the public tendering or invited tendering process. The infrastructure department of the Company will review the construction plan and expense quota involved in the leasing of construction facilities, in order to verify the relevant construction costs. The finance department of the Company will review the tax involved in the leasing of batching plants equipment and construction facilities.

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 Highway Projects Batching Plants Leasing 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.

III. PROPOSED ANNUAL CAPS

The proposed annual caps on the total value of right-of-use assets^{Note} involved in the leasing of batching plants equipment and construction facilities during the term of the Highway Projects Batching Plants Leasing Framework Agreement are as follows:

Transaction	From the	For the year ending	
	effective date of the agreement to December 31, 2021	December 31, 2022	2023
		<i>(RMB million)</i>	
Leasing by the Group from YCIH and its associates	300	500	520

Note: Pursuant to IFRS 16, the leases to be entered into by the Company as lessee under the Highway Projects Batching Plants Leasing Framework Agreement will be recognised as right-of-use assets. The proposed annual caps are set on the total value of the right-of-use assets relating to the individual leasing agreements expected to be entered into by the Company in each year, which are calculated with reference to the aggregate annual rents under the full lease term of each individual leasing agreement newly entered into each year, discounted by the Company's incremental borrowing rate.

IV. BASIS OF THE PROPOSED ANNUAL CAPS

In arriving at the proposed annual caps on the total value of right-of-use assets involved in the leasing of batching plants equipment and construction facilities during the term of the Highway Projects Batching Plants Leasing Framework Agreement, the Directors have considered the following:

- (i) in the first half of 2021, due to the outbreak of COVID-19 pandemic in Yunnan Province from time to time and a certain degree of tightening of the total amount of capital and liquidity in the market, the progress of certain highway construction projects undertaken by YCIH and its associates (such as Xuanwei-Fuyuan Highway and Binchuan-Heqin Highway) that the Group is responsible for concrete supply has been delayed. It's expected that such highway projects will commence construction in the second half of 2021;
- (ii) based on the continuous follow-up in terms of new opportunities, the Group will supply concrete for more than 10 highway projects which are undertaken by YCIH and its associates and will commence construction gradually, including but not limited to Eshan-

Shiping-Honghe Highway (Honghe and Yuxi), Yongren-Jinshuihe (Xinping (Gasa)-Yuanjiang (Hongguang)) Highway, Chengjiang-Huaning Highway and Nasa-Xingjie Highway;

- (iii) along with the release of the “14th Five-Year Plan” for Regional Coordinated Development of Yunnan Province (2021-2025, Consultation Draft) in July 2021, the direction of infrastructure development in Yunnan Province has become clearer and the “connectivity (互聯互通)” project will be fully launched in Yunnan Province on the basis of the “as passable as possible (能通全通)” project for county highways. According to relevant policy documents in relation to “14th Five-Year Plan” issued by People’s Government of Yunnan Province, there are around 10 highways that will commence construction in 2023. YCIH, as the largest construction enterprise in Yunnan Province, and the Group, as the leading concrete enterprise in Yunnan Province with the strongest concrete supply capacity and extensive experience in concrete supply for large-scale projects, will participate in such highway projects to the largest extent;
- (iv) the prevailing market purchase price of the relevant batching plants equipment and the estimated construction costs for construction facilities of the abovementioned highway projects based on the Group’s previous experience in construction of batching plants for highway projects; and
- (v) the proposed annual caps would provide an adequate buffer for the Group to accommodate the demand for leasing batching plants equipment and construction facilities brought about by any unanticipated newly-commenced highway projects in the future.

V. REASONS FOR AND BENEFITS OF ENTERING INTO THE HIGHWAY PROJECTS BATCHING PLANTS LEASING FRAMEWORK AGREEMENT

The Directors are of the view that such transactions under the Highway Projects Batching Plants Leasing Framework Agreement are beneficial to the Group for the following reasons:

- (i) based on the previous experience in highway projects, the Group will generally purchase relevant batching plants equipment and conduct field engineering and construction of auxiliary facilities on its own expenses, so as to produce and supply concrete. Considering that YCIH is the largest construction enterprise in Yunnan Province and undertakes a variety of highway construction projects, coupled with that the Group is expected to intensively participate in the highway projects undertaken by YCIH and its associates in the coming three years, the Group intends to lease batching plants equipment and construction facilities from YCIH and its associates in order to reduce its capital expenditure for one-time purchase of fixed assets and realize asset-light operation. In addition, such transactions are beneficial for the Group to save more working capital for daily production and operation, and reduce investment risks and equipment and facilities management costs;

- (ii) YCIH and its associates will be responsible for maintenance and repair of the batching plants equipment and construction facilities during the lease term, and transportation of the equipment, tearing down the construction facilities, and land reclamation after the conclusion of the lease term, which is beneficial for the Group to reduce manpower costs; and
- (iii) the prices and terms for leasing batching plants equipment and construction facilities by the Group from YCIH and its associates would be no less favorable to the Group than those provided by independent third party lessors.

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from the Independent Financial Adviser) are of the view that the transactions contemplated under the Highway Projects Batching Plants Leasing Framework Agreement (including the proposed annual caps) are entered into on normal commercial terms and in the ordinary and usual course of business of the Group, and the terms contained therein are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

VI. LISTING RULES IMPLICATIONS

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

In respect of the transactions contemplated under the Highway Projects Batching Plants Leasing Framework Agreement, the highest applicable percentage ratio exceeds 5%. Such transactions, together with the proposed annual caps, are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Jiang Qian, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the Highway Projects Batching Plants Leasing Framework Agreement. Save as disclosed above, none of the Directors has a material interest in the transactions contemplated under the Highway Projects Batching Plants Leasing Framework Agreement or is required to abstain from voting on the Board resolution in relation to the Highway Projects Batching Plants Leasing Framework Agreement.

VII. 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 Main Board of 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 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 97.35% by the Yunnan SASAC and as to 2.65% 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.

VIII. EGM

The EGM will be convened by the Company to, among others, consider and, if thought fit, approve the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

YCIH and its associates are required to abstain from voting at the EGM in respect of the resolution to approve the Highway Projects Batching Plants Leasing 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 EGM.

IX. GENERAL INFORMATION

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

Gram Capital has been appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder.

A circular containing, among others, details of the Highway Projects Batching Plants Leasing 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 EGM is expected to be despatched to the Shareholders on or before September 30, 2021, which is more than 15 Business Days after the publication of this announcement, so as to allow sufficient time for the preparation of the relevant information for inclusion in the circular.

X. DEFINITIONS

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

“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors
“Business Day(s)”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“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 limited company incorporated in the PRC with limited liability, whose H Shares are listed on the Main Board of 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
“Domestic Share(s)”	means ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in Renminbi
“EGM”	the extraordinary general meeting of the Company to be convened and held for the purpose of, among others, considering and, if thought fit, approving the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder
“Group”	the Company and its subsidiaries
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and are subscribed for and traded in Hong Kong dollars

“Highway Projects Batching Plants Leasing Framework Agreement”	the Highway Projects Batching Plants Leasing Framework Agreement entered into between the Company and YCIH on August 24, 2021, pursuant to which YCIH and its associates agreed to lease batching plants equipment and construction facilities in relation to highway projects to the Group
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“IFRS”	International Financial Reporting Standards promulgated by the International Accounting Standard Board (IASB) and the International Accounting Standards (IAS) including restated standards, amendments and interpretations issued
“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 Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder
“Independent Financial Adviser” or “Gram Capital”	Gram Capital Limited, 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), being the independent financial adviser appointed by the Company to advise the Independent Board Committee and the Independent Shareholders in respect of the Highway Projects Batching Plants Leasing Framework Agreement and the transactions contemplated thereunder
“Independent Shareholders”	Shareholders other than YCIH and its associates
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“PRC” or “China”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan

“RMB”	Renminbi yuan, the lawful currency of the PRC
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
“Shareholder(s)”	the shareholder(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“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 of the Company
“YCIH Group”	YCIH and its subsidiaries
“Yunnan Province”	Yunnan Province of the PRC
“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 purpose only*

By Order of the Board
YCIH Green High-Performance Concrete Company Limited
Zhang Yingyue
Chairman

Kunming, China, August 24, 2021

As at the date of this announcement, the Board comprises Mr. Zhang Yingyue, Mr. Rao Ye, Mr. Lu Jianfeng and Ms. Hu Zhurong (employee Director) as executive Directors; Mr. Jiang Qian 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.