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雲建綠砼

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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)

REVISION OF THE EXISTING 2020 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE PRODUCTS SALES FRAMEWORK AGREEMENT

References are made to the announcement and the circular of the Company dated March 27, 2020 and May 14, 2020, respectively, in relation to, among others, the continuing connected transactions under the Products Sales Framework Agreement and the annual caps thereof for the three years ending December 31, 2022.

REVISION OF THE EXISTING 2020 ANNUAL CAP

The Directors have been closely monitoring the continuing connected transactions under the Products Sales Framework Agreement. Based on internal estimates and the anticipated continuing growth of business in the fourth quarter of 2020, the Directors are of the view that the Existing 2020 Annual Cap will not be sufficient for the business needs of the Group. Therefore, the Directors propose to revise the annual cap for the continuing connected transactions under the Products Sales Framework Agreement for the year ending December 31, 2020 from RMB3,000 million to RMB3,300 million. The existing annual caps of RMB3,400 million and RMB3,900 million for the continuing connected transactions under the Products Sales Framework Agreement for the two years ending December 31, 2021 and 2022 remain unchanged.

LISTING RULES IMPLICATIONS

As YCIH is a controlling Shareholder, YCIH and its associates are connected persons of the Company under the Listing Rules. The transactions under the Products Sales Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual cap for the continuing connected transactions, the Company shall re-comply with the applicable provisions of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Revised 2020 Annual Cap exceeds 5%, the revision of the Existing 2020 Annual Cap shall be subject to the reporting, announcement 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 revision of the Existing 2020 Annual Cap.

GENERAL

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the revision of the Existing 2020 Annual Cap.

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 revision of the Existing 2020 Annual Cap.

A circular containing, among others, details of the revision of the Existing 2020 Annual Cap, 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 November 16, 2020.

I. BACKGROUND

References are made to the announcement and the circular of the Company dated March 27, 2020 and May 14, 2020, respectively, in relation to, among others, the continuing connected transactions under the Products Sales Framework Agreement and the annual caps thereof for the three years ending December 31, 2022.

The Directors have been closely monitoring the continuing connected transactions under the Products Sales Framework Agreement. Although the Group's revenue from product sales under the Products Sales Framework Agreement had experienced a decrease in the first quarter of 2020 due to the COVID-19 pandemic, demand for the Group's products from YCIH and its associates increased substantially by nearly 50% in the second and third quarters of 2020 as compared to the first quarter of 2020 as a result of the rapid recovery of the construction industry operations in Yunnan Province under the policy promotion of the Yunnan Provincial Government. Based on internal estimates and the anticipated continuing growth of business in the fourth quarter of 2020, the Directors are of the view that the Existing 2020 Annual Cap will not be sufficient for the business needs of the Group. Therefore, the Directors propose to revise the annual cap for the continuing connected transactions under the Products Sales Framework Agreement for the year ending December 31, 2020 from RMB3,000 million to

RMB3,300 million. The existing annual caps of RMB3,400 million and RMB3,900 million for the continuing connected transactions under the Products Sales Framework Agreement for the two years ending December 31, 2021 and 2022 remain unchanged.

II. REVISION OF THE EXISTING 2020 ANNUAL CAP

Summary of the Products Sales Framework Agreement

The principal terms and the pricing guideline of the Products Sales Framework Agreement as disclosed in the announcement and the circular of the Company dated March 27, 2020 and May 14, 2020, respectively, remain unchanged and a summary of the agreement is set out below:

1. *Parties*

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

2. *Principal terms*

On March 27, 2020, the Company entered into the 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 Products Sales Framework Agreement became effective upon the passing of the relevant resolution by the Independent Shareholders at the 2019 annual general meeting held by the Company on June 29, 2020, and shall remain valid until December 31, 2022. Subject to compliance with the Listing Rules, the Products Sales Framework Agreement may be renewed as agreed by both parties.

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

3. *Pricing guideline*

Under the Products Sales Framework Agreement:

- (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 independent third party customers for the same type of product, the payment terms, the specific requirements of the parties, the quality of 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 products 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.

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 and for the nine months ended September 30, 2020 are as follows:

	Historical amounts			Nine months ended
	Year ended December 31, 2017	2018	2019	September 30, 2020
	<i>(RMB million)</i>			
Sales of products to YCIH and its associates	2,618.00	2,459.81	2,522.00	2,341.00

The Directors confirmed that as at the date of this announcement, the transaction amount of the continuing connected transactions under the Products Sales Framework Agreement had not exceeded the Existing 2020 Annual Cap.

Proposed revision of annual cap

Year ending December 31, 2020	
Existing annual cap	Proposed revised annual cap
<i>(RMB million)</i>	

3,000

3,300

The existing annual caps of RMB3,400 million and RMB3,900 million for the continuing connected transactions under the Products Sales Framework Agreement for the two years ending December 31, 2021 and 2022 remain unchanged.

In arriving at the Proposed Revised 2020 Annual Cap, the Directors have considered the followings:

- (i) the historical transaction amount of RMB2,341 million for the nine months ended September 30, 2020. Although the Group's revenue from product sales under the Products Sales Framework Agreement had experienced a decrease in the first quarter of 2020 due to the COVID-19 pandemic, demand for the Group's products from YCIH and its associates increased substantially by nearly 50% in the second and third quarters of 2020 as compared to the first quarter of 2020 as a result of the rapid recovery of the construction industry operations in Yunnan Province under the policy promotion of the Yunnan Provincial Government. Such historical transaction amount for the nine months ended September 30, 2020 has exceeded the expectation of the Company and is close to the Existing 2020 Annual Cap. It is expected that such momentum will continue in the fourth quarter of 2020 which will bring even higher demand of the Group's products by YCIH and its associates; and
- (ii) the expected increase in volume of sales of products to YCIH and its associates in the fourth quarter of 2020 taking into account a larger than expected demand from YCIH and its associates in terms of concrete supply resulting from the acceleration of the progress of the engineering projects under construction, in particular large-scale infrastructure projects pursuant to the implementation of the strategy of "exceeding the annual target" by YCIH since September 2020.

III. REASONS FOR AND BENEFITS OF THE REVISION OF THE EXISTING 2020 ANNUAL CAP

As disclosed above, based on internal estimates and the anticipated continuing growth of business in the fourth quarter of 2020, the Directors are of the view that the Existing 2020 Annual Cap will not be sufficient for the business needs of the Group. Furthermore in addition to the reasons for and benefits of entering into the Products Sales Framework Agreement as disclosed in the announcement and the circular of the Company dated March 27, 2020 and May 14, 2020, respectively, the Directors consider that the revision of the Existing 2020 Annual Cap will provide an additional stable revenue source for the Group.

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 revision of the Existing 2020 Annual Cap is fair and reasonable and in the interests of the Company and the Shareholders as a whole.

IV. LISTING RULES IMPLICATIONS

As YCIH is a controlling Shareholder, YCIH and its associates are connected persons of the Company under the Listing Rules. The transactions under the Products Sales Framework Agreement therefore constitute continuing connected transactions of the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.54 of the Listing Rules, if the Company proposes to revise the annual cap for continuing connected transactions, the Company shall re-comply with the applicable provisions of the Listing Rules. As the highest applicable percentage ratio in respect of the Proposed Revised 2020 Annual Cap exceeds 5%, the revision of the Existing 2020 Annual Cap shall be subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Mr. Liu Guangcan, who holds a position with YCIH, has abstained from voting on the Board resolution in relation to the revision of the Existing 2020 Annual Cap. Save as disclosed above, none of the Directors has a material interest in the transactions or is required to abstain from voting on the relevant Board resolution.

V. INFORMATION ON THE PARTIES

Information on the Company

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 principally 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 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.

VI. EGM

The EGM will be convened by the Company to, among others, consider and, if thought fit, approve the revision of the Existing 2020 Annual Cap.

YCIH and its associates are required to abstain from voting at the EGM in respect of the resolution to approve the revision of the Existing 2020 Annual Cap. 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.

VII. GENERAL

The Independent Board Committee comprising all independent non-executive Directors has been established to advise the Independent Shareholders in respect of the revision of the Existing 2020 Annual Cap.

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 revision of the Existing 2020 Annual Cap.

A circular containing, among others, details of the revision of the Existing 2020 Annual Cap, 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 November 16, 2020.

VIII. 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 of the Company
“China” or “PRC”	the People’s Republic of China, which for the purpose of this announcement only, excludes Hong Kong, the Macau Special Administrative Region and Taiwan
“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 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)”	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 to be convened by the Company to, among others, consider and, if thought fit, approve the revision of the Existing 2020 Annual Cap

“Existing 2020 Annual Cap”	the existing annual cap of RMB3,000 million for the continuing connected transactions under the Products Sales Framework Agreement for the year ending December 31, 2020
“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
“Hong Kong”	Hong Kong Special Administrative Region of the People’s Republic of China
“Independent Board Committee”	the independent 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 revision of the Existing 2020 Annual Cap
“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 revision of the Existing 2020 Annual Cap
“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
“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

“Proposed Revised 2020 Annual Cap”	the proposed revised annual cap of RMB3,300 million for the continuing connected transactions under the Products Sales Framework Agreement for the year ending December 31, 2020
“RMB” or “Renminbi”	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)”	holder(s) of Shares
“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
“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
Ma Minchao
Chairman

Kunming, China, October 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.