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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)

**ANNUAL RESULTS ANNOUNCEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021; AND
CHANGE IN USE OF PROCEEDS FROM
THE GLOBAL OFFERING**

ANNUAL FINANCIAL HIGHLIGHTS:

For the year ended December 31, 2021, the Group's:

- revenue was approximately RMB2,103 million, which decreased by 47.5% as compared with 2020;
- profit before income tax was approximately RMB15 million, which decreased by 94.6% as compared with 2020; and
- net profit attributable to equity holders of the Company was approximately RMB0.7 million, which decreased by 99.7% as compared with 2020.

The Board proposed that no final dividend for the year ended December 31, 2021 would be declared to the Shareholders, which is subject to Shareholders' approval at the 2021 annual general meeting of the Company.

The Board announces the audited consolidated results of the Group for the year ended December 31, 2021 together with the comparative data for the year ended December 31, 2020 as follows:

CONSOLIDATED INCOME STATEMENT
FOR THE YEAR ENDED DECEMBER 31, 2021

		Year ended December 31,	
		2021	2020
	<i>Note</i>	<i>RMB'000</i>	<i>RMB'000</i>
Revenue	3	2,102,526	4,004,026
Cost of sales	5	<u>(1,961,895)</u>	<u>(3,569,094)</u>
Gross profit		<u>140,631</u>	<u>434,932</u>
Selling expenses	5	(7,883)	(8,629)
Administrative expenses	5	(127,313)	(135,547)
Net impairment losses on financial assets	5	(14,497)	(26,979)
Other income	3	20,243	15,946
Other gains – net	4	<u>2,506</u>	<u>1,319</u>
Operating profit		<u>13,687</u>	<u>281,042</u>
Finance income	6	9,932	4,916
Finance costs	6	<u>(8,582)</u>	<u>(7,981)</u>
Finance income/(costs) – net	6	<u>1,350</u>	<u>(3,065)</u>
Profit before income tax		<u>15,037</u>	<u>277,977</u>
Income tax expense	7	<u>(8,344)</u>	<u>(50,888)</u>
Profit for the year		<u>6,693</u>	<u>227,089</u>
Profit attributable to:			
– The equity holders of the Company		701	206,451
– Non-controlling interests		<u>5,992</u>	<u>20,638</u>
		<u>6,693</u>	<u>227,089</u>
Earnings per share for profit attributable to the equity holders of the Company during the year (expressed in RMB per share)			
– Basic and diluted earnings per share	8	<u>0.00</u>	<u>0.46</u>

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED DECEMBER 31, 2021

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Profit for the year	<u>6,693</u>	<u>227,089</u>
Other comprehensive income/(loss)		
<i>Items that may be reclassified to profit or loss</i>		
– Changes in the fair value of debt instruments at fair value through other comprehensive income	1,666	(339)
– Income tax relating to the item	<u>(266)</u>	<u>86</u>
Other comprehensive income/(loss) for the year, net of tax	<u>1,400</u>	<u>(253)</u>
Total comprehensive income for the year	<u><u>8,093</u></u>	<u><u>226,836</u></u>
Total comprehensive income attributable to:		
– The equity holders of the Company	2,090	206,143
– Non-controlling interests	<u><u>6,003</u></u>	<u><u>20,693</u></u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT DECEMBER 31, 2021

		As at December 31,	
		2021	2020
	<i>Note</i>	RMB'000	RMB'000
ASSETS			
Non-current assets			
Land use rights		42,687	31,552
Property, plant and equipment		199,919	199,280
Investment properties		66	2,433
Intangible assets		850	1,055
Deferred income tax assets		27,284	20,301
Other non-current assets		6,197	18,382
		<u>277,003</u>	<u>273,003</u>
Current assets			
Inventories		27,464	30,909
Financial assets at fair value through other comprehensive income		95,221	80,003
Trade and notes receivables	9	3,847,991	3,624,925
Prepayments and other receivables	10	39,005	29,633
Restricted cash		119,036	32,280
Cash and bank deposits		355,812	529,389
		<u>4,484,529</u>	<u>4,327,139</u>
Total assets		<u>4,761,532</u>	<u>4,600,142</u>
EQUITY			
Share capital		446,272	446,272
Reserves		477,506	475,794
Retained earnings		336,916	391,474
Total equity attributable to equity holders of the Company		1,260,694	1,313,540
Non-controlling interests		86,752	88,072
Total equity		<u>1,347,446</u>	<u>1,401,612</u>

CONSOLIDATED STATEMENT OF FINANCIAL POSITION (CONTINUED)

AS AT DECEMBER 31, 2021

		As at December 31,	
		2021	2020
	Note	RMB'000	RMB'000
LIABILITIES			
Non-current liabilities			
Lease liabilities		30,233	18,400
Provision for close down, restoration and environmental cost		<u>2,060</u>	<u>3,220</u>
		<u>32,293</u>	<u>21,620</u>
Current liabilities			
Trade and other payables	11	3,143,885	2,983,888
Lease liabilities		20,856	19,326
Provision for close down, restoration and environmental cost		3,157	8,035
Contract liabilities	3	5,981	1,093
Current income tax liabilities		7,441	8,428
Borrowings		<u>200,473</u>	<u>156,140</u>
		<u>3,381,793</u>	<u>3,176,910</u>
Total liabilities		<u>3,414,086</u>	<u>3,198,530</u>
Total equity and liabilities		<u><u>4,761,532</u></u>	<u><u>4,600,142</u></u>

1 GENERAL INFORMATION

YNJG Green High-Performance Concrete Co., Ltd. was incorporated in Yunnan Province of the People's Republic of China (the "PRC") on June 19, 2007 as a limited liability company under the Company Law of the PRC. On December 22, 2017, the Company was converted into a joint stock limited liability company with registered capital of RMB312,390,000 and changed its name to YCIH Green High-Performance Concrete Company Limited (the "Company"). The address of its registered office is YCIH Zhaotong Development Building, Zhaotong Road, Zhaoyang District, Zhaotong, Yunnan Province, the PRC.

The parent company of the Company is Yunnan Construction and Investment Holding Group Co., Ltd. ("YCIH"). YCIH is operating under the supervision and regulation of the State-Owned Assets Supervision and Administration Commission of Yunnan Province.

The Company and its subsidiaries (together, the "Group") are principally engaged in the research, development, production, sales, transportation and pumping of ready-mixed concrete as well as providing quality and technology management service in the PRC.

The Company completed its global initial public offering and listed its H shares on the Main Board of The Stock Exchange of Hong Kong Limited on October 31, 2019.

The consolidated financial statements are presented in Renminbi thousand (RMB'000), unless otherwise stated. These consolidated financial statements have been approved for issue by the Board of Directors on March 29, 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies adopted in the preparation of these consolidated financial statements of the Group. These policies have been consistently applied to all the years presented, unless otherwise stated.

2.1 Basis of preparation

2.1.1 Compliance with IFRSs and HKCO (as defined below)

The consolidated financial statements of the Group have been prepared in accordance with International Financial Reporting Standards ("IFRSs") and requirements of the Hong Kong Companies Ordinance ("HKCO") Cap. 622.

2.1.2 Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for the certain financial assets and liabilities measured at fair value.

2.1.3 *New and amended standards adopted by the Group*

The following new and amended accounting standards and interpretations become applicable for annual reporting periods commencing on or after January 1, 2021, and have been adopted by the Group in current period:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of Business
Revised conceptual framework	Revised conceptual framework for financial reporting
Amendments to IFRS 9, IAS 39 and IAS 7	Interest Rate Benchmark Reform
Amendments to IFRS 16	Covid-19 Rent Relief

2.1.4 *New standards and amendments of IFRS issued effective for the financial periods beginning on and after January 1, 2022 and have not been early adopted by the Group*

		Effective for annual periods beginning on or after
Amendments to annual improvements project	Annual Improvements 2018-2020 cycle	January 1, 2022
Amendment to IAS 16	Property, plant and equipment — proceeds before intended use	January 1, 2022
Amendment to IAS 37	Onerous contracts — Cost of fulfilling a contract	January 1, 2022
Amendments to IFRS 3	Reference to the Conceptual Framework	January 1, 2022
IFRS 17	Insurance contracts	January 1, 2023
Amendments to IAS 1	Classification of Liabilities as Current or Non-current	January 1, 2023
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies	January 1, 2023
Amendments to IAS 8	Definition of Accounting Estimates	January 1, 2023
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction	January 1, 2023
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	To be determined

The Group is assessing the full impact of these new standards and amendments. According to the preliminary assessment, these standards and amendments are not expected to have a material impact on the Group in the current or future reporting periods and on foreseeable future transactions. The Group expects to adopt relevant new standards, amendments to standards and conceptual framework when they become effective.

2.2 Subsidiaries

2.2.1 Consolidation

Subsidiaries are all entities (including a structured entity) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Subsidiaries are consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

(a) *Changes in ownership interests in subsidiaries without change of control*

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners of the subsidiary in their capacity as owners. The difference between the fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(b) *Disposal of subsidiaries*

When the Group ceases to have control, any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in the consolidated income statement. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3 SEGMENT INFORMATION, REVENUE AND OTHER INCOME

3.1 Operating segment information

Entity-wide disclosures

The Group's revenue and contribution to consolidated results are mainly derived from the research, development production and sales of ready-mixed concrete and related products, which is regarded as a single reportable segment in a manner consistent with the way in which information is reported internally to the Group's senior management for the purposes of resource arrangement and performance assessment. In addition, all the assets employed by the Group are located in Mainland China. Accordingly, no segment information by profit, asset and liability is presented, other than the entity-wide disclosures.

Geographical information

All of the Group's revenue is derived from customers based in Mainland China, and all of the Group's external customers and non-current assets are located in the PRC. Accordingly, no segment information by geographical segment is presented.

3.2 Revenue

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Sales of ready-mixed concrete	2,086,038	3,977,477
Sales of polycarboxylic admixtures	16,143	24,001
Sales of aggregates	345	1,214
Quality and technology management service	—	1,334
	<u>2,102,526</u>	<u>4,004,026</u>

- (a) *The Group is principally engaged in research, development, production and sales of ready-mixed concrete and related products and providing quality and technology management service.*

The Group's most senior executive management regularly reviews its consolidated financial information to assess the performance and make resource allocation decisions.

All of the revenue is recognised at the point in time when the control of goods or service is transferred to the customers.

- (b) *Revenue from major customers is set out below:*

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Group A	1,294,055	3,037,538
Group B	83,933	128,139
Group C	58,456	135,496
	<u>1,436,444</u>	<u>3,301,173</u>

The customer portfolio of the Group is concentrated, which is consistent with the industry practice. Group A represents YCIH Group. If major customers substantially default in payment or terminate the business relationship with the Group, it could materially affect the Group's financial position and results of operations.

(c) *Contract liabilities*

The Group has recognised the following revenue-related contract liabilities:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Contract liabilities related to sales of ready-mixed concrete	5,981	1,093

(i) *Revenue recognised in relation to contract liabilities*

The following table shows the amount of the revenue recognised in the respective year related to carried-forward contract liabilities.

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Revenue recognised that was included in the contract liabilities balance at the beginning of the year		
– sales of ready-mixed concrete	431	13,476

As permitted under IFRS 15, the transaction price allocated to these unsatisfied contracts is not disclosed, because the contracts have an original expected duration of one year or less.

(ii) *Contract liabilities represent advanced payments received from customers for sales of ready-mixed concrete that have not yet been delivered to the customers.*

3.3 Other income

	Year ended December 31,	
	2021	2020
	RMB'000	RMB'000
Government grants (<i>Note (a)</i>)	19,078	13,834
Rental income	97	407
Others	1,068	1,705
	20,243	15,946

- (a) Government grants mainly represent awards for the initial public offering and grants for subsidising the Group's general operation and research and development activities received from PRC government authorities. There are no unfulfilled conditions or other contingencies attaching to these grants. The Group did not benefit directly from any other forms of government assistance.

4 OTHER GAINS – NET

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gains/(losses) on disposal of property, plant and equipment	1,590	(36)
Others	916	1,355
	<u>2,506</u>	<u>1,319</u>

5 EXPENSES BY NATURE

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Raw materials and purchased goods consumed	1,321,272	2,697,676
Transportation expenses	201,046	299,723
Employee benefit expenses	255,105	253,866
Outsourcing costs	130,537	189,268
Lease expenses	44,513	91,355
Amortisation of land use rights	945	703
Depreciation of properties, plant and equipment	68,215	83,381
Depreciation of investment properties	162	215
Amortisation of intangible assets	205	195
Net impairment losses on trade receivables (Note 9)	11,767	27,218
Net provision/(reversal) of impairment losses on other receivables (Note 10)	2,730	(238)
Taxes and levies	16,250	23,910
Utilities and electricity	12,372	13,994
Maintenance expenses	13,270	12,741
Office expenses	7,511	6,794
Travelling expenses	5,854	4,031
Auditors' remuneration	2,716	2,900
Miscellaneous	17,118	32,517
	<u>17,118</u>	<u>32,517</u>
Total cost of sales, selling expenses, administrative expenses and net impairment losses on financial assets	<u>2,111,588</u>	<u>3,740,249</u>

6 FINANCE INCOME AND COSTS

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Interest income:		
– Bank deposits	9,618	4,403
– Deposits placed in YCIH Financial Company	314	342
Exchange gains	–	171
	<u> </u>	<u> </u>
Total finance income	<u>9,932</u>	<u>4,916</u>
Interest expenses:		
– Bank borrowings	(5,318)	(4,303)
– Lease liabilities	(2,203)	(3,147)
Exchange losses	(648)	–
Others	(413)	(531)
	<u> </u>	<u> </u>
Total finance costs	<u>(8,582)</u>	<u>(7,981)</u>
Finance income/(costs) – net	<u>1,350</u>	<u>(3,065)</u>

7 INCOME TAX EXPENSE

The amount of income tax expense charged to the consolidated income statement represents:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Current income tax	15,593	56,312
Deferred income tax	(7,249)	(5,424)
	<u> </u>	<u> </u>
Income tax expense	<u>8,344</u>	<u>50,888</u>

- (a) Under the Law of the PRC on Corporate Income Tax (the “**CIT Law**”) and implementation regulations of the CIT Law, the tax rate of the Group is 25% from January 1, 2008. The income tax rate of 25% is applicable to the Group, except for:
- i) the Company and its subsidiary YCIH Polymer Material Co., Ltd. (“**Polymer Company**”) are qualified as High-tech Enterprises and enjoy a preferential income tax rate of 15% for the years ended December 31, 2021 and 2020;
 - ii) the subsidiary YCIH Qujing Building Material Co., Ltd. (“**Qujing Building Material**”) is qualified as a High-tech Enterprise and enjoys a preferential income tax rate of 15% for the year ended December 31, 2021;
 - iii) the subsidiary YCIH Baoshan Yongchang Building Material Co., Ltd. (“**Baoshan Building Material**”) enjoys a preferential income tax rate of 15% according to the policies of Western Area Development for the year ended December 31, 2021.

	Year ended December 31,	
	2021	2020
	RMB’000	RMB’000
Profit before income tax	<u>15,037</u>	<u>277,977</u>
Tax calculated at the domestic CIT rate applicable	<u>25%</u>	<u>25%</u>
	<u>3,759</u>	<u>69,494</u>
Tax effect of:		
Expenses not deductible for tax purpose	1,008	1,596
Additional deduction of research and development expenses incurred	(1,278)	(691)
Effect of preferential income tax rate of the Group	<u>4,855</u>	<u>(19,511)</u>
Income tax expense	<u>8,344</u>	<u>50,888</u>

8 EARNINGS PER SHARE

- (a) The basic earnings per share is calculated by dividing the profit attributable to the equity holders of the Company by the weighted average number of ordinary shares issued or deemed to be issued.

	Year ended December 31,	
	2021	2020
Profit attributable to equity holders of the Company (RMB'000)	701	206,451
Weighted average number of ordinary shares in issue in thousands	<u>446,272</u>	<u>446,272</u>
Basic earnings per share (RMB)	<u><u>0.00</u></u>	<u><u>0.46</u></u>

- (b) The diluted earnings per share was the same as the basic earnings per share as there was no potential dilutive share issued during the years ended December 31, 2021 and 2020.

9 TRADE AND NOTES RECEIVABLES

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Trade receivables – related parties	2,791,014	2,543,273
Trade receivables – third parties	<u>1,044,173</u>	<u>1,036,335</u>
	3,835,187	3,579,608
Less: Provision for impairment of receivables (Note (b))	<u>(94,215)</u>	<u>(82,452)</u>
Notes receivable – related parties	61,895	–
Notes receivable – third parties	<u>45,124</u>	<u>127,769</u>
Trade and notes receivables – net	<u><u>3,847,991</u></u>	<u><u>3,624,925</u></u>

As at December 31, 2021 and 2020, the fair values of trade and notes receivables of the Group approximated their carrying amounts.

As at December 31, 2021 and 2020, all the carrying amounts of trade and notes receivables were denominated in RMB.

As at December 31, 2021, the notes receivable of RMB30,473,000 (December 31, 2020: RMB56,140,000) were pledged for borrowings of RMB30,473,000 (December 31, 2020: RMB56,140,000).

- (a) The ageing analysis of trade and notes receivables at the respective statement of financial position dates, based on the recording dates, are as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
– Within one year	1,867,233	2,772,317
– One to two years	1,678,380	778,952
– Two to three years	315,651	87,196
– Three to four years	41,462	47,502
– Four to five years	26,493	9,195
– Over five years	12,987	12,215
	<u>3,942,206</u>	<u>3,707,377</u>

The Group did not hold any collateral as security over these debtors.

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the life time expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. As at December 31, 2021, provision of approximately RMB94,215,000 was made against trade receivables (December 31, 2020: RMB82,452,000).

Movements on the provision for impairment of trade receivables are as follow:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year	82,452	55,234
Provision for impairment on trade receivables	11,767	27,218
Write-off for impairment on trade receivables	(4)	–
End of the year	<u>94,215</u>	<u>82,452</u>

10 PREPAYMENTS AND OTHER RECEIVABLES

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Other receivables – related parties	4,693	3,932
Other receivables – third parties	<u>18,503</u>	<u>17,605</u>
	23,196	21,537
Less: Provision for impairment of other receivables (<i>Note (b)</i>)	<u>(5,370)</u>	<u>(2,640)</u>
Other receivables – net	<u>17,826</u>	<u>18,897</u>
Prepayments	<u>10,358</u>	<u>3,483</u>
Interest receivable	7,555	2,571
Other current assets	<u>3,266</u>	<u>4,682</u>
Prepayments and other receivables – net	<u>39,005</u>	<u>29,633</u>

As at December 31, 2021 and 2020, the fair values of other receivables of the Group approximated their carrying amounts.

As at December 31, 2021 and 2020, all the carrying amounts of prepayments and other receivables were denominated in RMB.

- (a) The ageing analysis of prepayments and other receivables at the respective statement of financial position dates, based on the recording dates, are as follows:

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
– Within one year	30,579	20,813
– One to two years	3,229	2,249
– Two to three years	2,004	2,760
– Three to four years	2,296	2,628
– Four to five years	2,606	582
– Over five years	<u>3,661</u>	<u>3,241</u>
	<u>44,375</u>	<u>32,273</u>

The Group did not hold any collateral as security over these debtors.

- (b) To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the ageing days. The expected credit losses also incorporate forward-looking information. As at December 31, 2021, provisions for impairment of approximately RMB5,370,000 were made against other receivables (December 31, 2020: RMB2,640,000).

Movements on the provision for impairment of other receivables are as follow:

	Year ended December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Beginning of the year	2,640	2,878
Provision for/(reversal of) impairment on other receivables	<u>2,730</u>	<u>(238)</u>
End of the year	<u><u>5,370</u></u>	<u><u>2,640</u></u>

11 TRADE AND OTHER PAYABLES

	As at December 31,	
	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable	251,455	78,532
Trade payables – related parties	141,267	147,151
Trade payables – third parties	2,559,539	2,563,002
Other payables – related parties	27,511	24,879
Other payables – third parties	64,640	54,884
Staff salaries and welfare payable	63,321	84,847
Interest payable	222	145
Dividends payable	7,696	5,702
Accrued taxes other than income tax	<u>28,234</u>	<u>24,746</u>
	<u><u>3,143,885</u></u>	<u><u>2,983,888</u></u>

- (a) As at December 31, 2021 and 2020, all trade and other payables of the Group were non-interest bearing, and their fair values, except for the staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.
- (b) At each of the end of the reporting periods, the Group's trade and other payables are denominated in RMB.

- (c) The ageing analysis of trade payables at the respective statement of financial position dates, based on the recording dates, are as follows:

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
– Within one year	1,453,989	2,067,835
– One to two years	925,611	428,678
– Two to three years	174,041	157,354
– Three to four years	100,506	34,492
– Four to five years	26,827	16,918
– Over five years	19,832	4,876
	<u>2,700,806</u>	<u>2,710,153</u>

12 DIVIDENDS

(a) Ordinary shares

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
Final dividend for the year ended December 31, 2020 of RMB0.1231 per fully paid share (2019: RMB0.1355)	<u>54,936</u>	<u>60,470</u>

On March 26, 2021, the Board of Directors recommended a final dividend of RMB0.1231 each share for the year ended December 31, 2020, amounting to a total amount of RMB54,936,000 calculated based on the total number of shares in issue of 446,272,000. On May 25, 2021, the final dividend had been approved by the shareholders at the annual general meeting and had been distributed to the Shareholders on June 23, 2021.

(b) Dividends not recognized as liabilities at the end of year

	As at December 31,	
	2021	2020
	RMB'000	RMB'000
The directors have not recommended any payment of final dividend for the year ended December 31, 2021. The directors recommended the payment of a final dividend of RMB0.1231 per fully paid ordinary share for the year ended December 31, 2020. The aggregate amount of the dividend for 2020 paid in 2021 out of the retained earnings as at December 31, 2020, but not recognised as a liability at year end, is	<u>–</u>	<u>54,936</u>

MANAGEMENT DISCUSSION AND ANALYSIS

INDUSTRY OVERVIEW

Ready-mixed concrete industry is a basic building material industry for urbanization and economic and social development. Conversion of development momentum, change of development mode, development with the aim of high-end, high value-added and high quality, and green and low-carbon development have gradually become the direction and theme of industry development under the new development pattern. Unblocking the domestic cycle, promoting the domestic and international dual cycle and infrastructure investment from the “two new-types and one major development” (i.e. new-type infrastructure construction, new-type urbanization and construction of major engineering projects for transportation and water conservancy) and “making up for shortcomings and disadvantages” have brought new development opportunities to the industry. In July 2021, Yunnan Development and Reform Commission issued the “14th Five-Year Plan” for Regional Coordinated Development of Yunnan Province (2021-2025, Consultation Draft), which covers key programs and major engineering projects including rail transit construction and interconnection of infrastructure at border and port in central Yunnan, China-Laos industrial park construction, regional medical center construction, comprehensive transportation system construction, water conservancy infrastructure construction, comprehensive logistics hub construction and energy hub construction, and will greatly stimulate the demand for concrete products in Yunnan Province.

BUSINESS OVERVIEW

Overview

The Company is a ready-mixed concrete producer located in Yunnan Province. We have a team with extensive management experience and robust technical capabilities, and have powerful research and development capabilities with an integration of technical research and development, technical detection, results promotion and application and technical consulting services. We have introduced modernized, scientific and green and environmentally-friendly manufacturing concepts into our production, and lead and drive the technological progress and green and low-carbon development in the concrete industry of Yunnan Province. The Company has established a diversified business landscape focusing on the production of ready-mixed concrete, including ultra-high performance concrete (UHPC) and related products, and is supplemented with the production of aggregates, polycarboxylic admixtures and other products, basically forming the production capacity layout covering the east, west, south and north markets in the centre of Kunming, as well as prefecture-level cities in Yunnan Province that are developing and expanding business at the same pace. Our business scope covers housing construction and infrastructure construction including railways, highways, integrated pipeline networks and other project areas. We have established a completed industrial chain of “technical research and development, resource processing, production and sales”.

In May 2021, the Company was again awarded the title of “China’s Top Ten Ready-mixed Concrete Enterprise (中國預拌混凝土十強企業)” (ranking sixth for four consecutive years from 2017 to 2020) and awarded the honorary title of “AAA Credit Enterprise in Yunnan Province (雲南省AAA信用企業)”. In addition, the Company was selected as one of the “China Top 500 Building Material Enterprises in 2021 (2021年中國建材企業500強)” and completed the certification of China Environmental Labeling Products for the Company, the re-certification of the Company’s energy management system in 2021, the reassessment of the three-star green building materials at the mixing station site of the Company’s Kunming Division, and the application for the Qujing Building Material as a green demonstration plant.

During the Reporting Period, the Group produced and sold 6.12 million m³ of ready-mixed concrete, representing a year-on-year decrease of 44.4%. The Group recorded a revenue of RMB2,103 million, representing a year-on-year decrease of 47.5%; a profit before income tax of RMB15 million, representing a year-on-year decrease of 94.6%; a profit for the year of RMB6.69 million, representing a year-on-year decrease of 97.1%; and a net profit attributable to equity holders of the Company of RMB0.7 million, representing a year-on-year decrease of 99.7%.

As at December 31, 2021, the Group had 49 concrete batching plants and 89 production lines with an annual capacity of 20,202,000 m³. The Group also had 154 concrete transport vehicles, 2 pump trucks and 260 sets of main research and development test equipment.

Results of operation

The following table sets forth the breakdown of revenue, cost of sales, gross margin and percentage change by business category for the years ended December 31, 2021 and December 31, 2020.

Business	Year ended December 31,								
	2021 (in RMB million)			2020 (in RMB million)			Percentage change (%)		
	Revenue	Cost of sales	Gross margin (%)	Revenue	Cost of sales	Gross margin (%)	Revenue	Cost of sales	Gross margin
Ready-mixed concrete	2,087	1,949	6.6%	3,977	3,548	10.8%	-47.5%	-45.1%	-38.9%
Polycarboxylic admixtures	16	13	18.8%	24	21	13.6%	-33.3%	-38.1%	38.2%
Aggregates	0	0	0.0%	1	1	42.6%	-100.0%	-100.0%	-100.0%
Quality and technology management services	0	0	0.0%	1	0	100.0%	-100.0%	0.0%	-100.0%
Total	2,103	1,962	6.7%	4,004	3,569	10.9%	-47.5%	-45.0%	-38.5%

For the year ended December 31, 2021, the majority of our revenue was derived from the production and sales of ready-mixed concrete. In 2021, our revenue generated from production and sales of ready-mixed concrete was RMB2,087 million, accounting for 99.2% of the total revenue.

During the Reporting Period, the gross profit of the Group's operation was RMB141 million (2020: RMB435 million), and the overall gross margin in 2021 was 6.7%, representing a year-on-year decrease of 4.2 percentage points as compared with 10.9% in 2020. Such decreases in gross profit and gross margin were mainly due to a significant decline in the production and sales volume of ready-mixed concrete, while fixed costs basically remained unchanged and the economies of scale declined. The gross margin was 6.6% for the production and sales of ready-mixed concrete and 18.8% for the production and sales of polycarboxylic admixtures.

Long-term business model

The Group's existing businesses include the production and sales of ready-mixed concrete, polycarboxylic admixtures and aggregates and the provision of concrete-related quality and technology management services. In terms of the production and sales of ready-mixed concrete, we are continuing to focus on the development of ultra-high performance concrete (UHPC) and related products. We plan to break the bottleneck of the production and application of ultra-high performance concrete and establish a complete ultra-high performance concrete industry chain. Accordingly, we plan to use the proceeds from the global offering ("**Global Offering**") to invest in acquisition of aggregates and mining resources, improvement of concrete production technology, research and development of new products and new technologies, investments in fixed assets and equipment purchases for aforementioned matters. At the same time, we have adjusted our organizational structure and management model, and established seven centres (material supply chain centre, quality and technology management centre, financial management centre, cost control centre, marketing management centre, production management centre and technology innovation centre) and five major business divisions (UHPC business division, commercial mortar business division, resource utilization of construction waste business division, new green and low-carbon material business division and intelligent construction business division). Under the new management work model, the Company will carry out centralised management to improve the management efficiency of the Company, and create three major concentrated raw material procurement platforms to achieve improvement in cost control management work, streamline the procurement process, reduce unnecessary cost wastage and practically improve business operation efficiency. We will first build a digital supply chain financial platform with the Company as the core around the upstream and downstream industry chain of concrete, migrate traditional offline transactions to online, transform operational data into the digitalizational assets, continuously integrate upstream and downstream enterprises in the industry into the platform for trading, build industry chain clusters, and quickly grow larger and stronger. In the future, we will continuously transform and upgrade to develop new businesses, optimise business structure, market structure and customer structure, build a digital supply chain financial platform and strive to become a globally competitive green building material enterprise on the basis of maintaining business stability.

BUSINESS STRATEGY AND MAJOR OPERATIONAL MEASURES

Strengthen the Group's leading market position by optimization of production capacity

Our concrete production network covers the vast majority of prefectures and cities in Yunnan Province. In order to enhance our market penetration in Yunnan Province, we have been committed to extending our production network from prefecture-level cities to county-level regions in Yunnan Province. We continuously participated in the construction of large-scale infrastructure and projects connected to people's livelihood, such as highway and relocation projects, which continued to optimize the layout of our production network and strengthened our leading position in Southwest China through leveraging the efficiency of our large-scale operations.

Enhance sales and marketing capabilities and expand sales network

In 2021, to ensure the stable increase of our operating efficiency, the major operational measures adopted by the Group include: (i) establishing a reasonably structured, streamlined and efficient organization, and cultivating and developing a proactive and hardworking team of talent; (ii) effectively integrating operation resources, improving the salary incentive mechanism, optimizing the marketing network and layout, and continuously improving our ability to operate independently; (iii) improving product quality in all aspects and efficiently creating brand benefit; (iv) continuously strengthening safety awareness, and emphasizing production safety; and (v) strengthening service awareness, maintaining brand image, and promoting the upgrading of the Company's production management services.

Further reduce raw material costs and optimise operational efficiency

In 2021, in the context of unprecedented pressure on environmental protection, the Company continued to innovate and develop and insisted on green development, giving full play to its technological advantages. The Group continued to carry out external benchmarking management while "focusing on benchmarking and making up for shortcomings" to gradually improve operational quality. We continued to refine cost management, optimize supply chain management, and increase the intensity of centralized bidding and procurement of main materials such as cement and aggregates, which have further reduced costs. We enhanced the Company's competitiveness by strengthening the research and development and promotion of ultra-high performance concrete, commercial mortar and special mortar, enhancing product specialisation in all aspects, improving the acquisition rate of quality project orders and constantly expanding the external market.

Actively respond to the COVID-19 pandemic

In the face of the COVID-19 pandemic, the Group carefully analyzed the international and domestic macroeconomic conditions and the development positioning of Yunnan Province, reformed the organizational structure, streamlined the cadre team, optimized industry layout, improved management capabilities and service awareness, overcame adverse effect brought by COVID-19 pandemic and made every effort to resume work and epidemic prevention. The Group took up the responsibility of a state-owned enterprise and carried out the supply of concrete for key regions and major projects in an orderly manner. Taking the “Five Resolutions” and “Five Specialties” as the guide, we raised the political stance, strengthened risk awareness and bottom-line thinking, and made winning the battle against the epidemic a major political task for the time being to ensure the safety and stability of the Company during the period of pandemic prevention and control. The Company has attached equal importance to the pandemic prevention and control as well as work and production.

Operation highlights in 2021

In 2021, the Company stepped up its efforts in the consolidation of operational resources, insisted on high-end operation and coordinated advancement. The Company continuously deepened the cooperation and communication with national well-known enterprises and entered into a procurement framework agreement with China Construction First Group Fifth Construction Co., Ltd. (中建一局集團第五建築有限公司) and Kunming Railway Construction Company of China Railway No. 8 Engineering Group (中鐵八局集團昆明鐵路建設有限公司). At the same time, the Company continued to further cultivate the regional market in Yunnan Province and continuously strengthened cooperation with local government platforms and local enterprises, and successively entered into strategic cooperation agreements with Yuxi Hongrun Development & Construction Company (玉溪宏潤開發建設有限公司), Kunming Chengli Trading Company (昆明誠利貿易有限公司) and Yunnan Weiguang Economic & Trade (Group) Company (雲南偉光經貿(集團)有限公司). By sticking to leader promotion and key projects, the Company attached great importance to the operation of major housing projects and highway projects, and entered into projects such as the General Contracted Engineering for Kunming China Resource Tuodong Business Centre Project (Land A1), the Residential Community Engineering Project at Annin University of Finance and Economics, Construction Project of the Xinping (Jiasha) to Yuanjiang (Hongguang) section of the Yongjin Highway and Guangnan (Nasha) to Xichao (Xingjie) Highway. At the same time, we focused on the General Contracted Constuction for Kunming China Resource Tuodong Business Centre and the Kunming Integrated Transportation International Hub Project, General Contracted Engineering for Kunming Guandu District Runfu Community Project and other projects. The Company comprehensively participated in market competition and practiced the spirit of perseverance in the operation of the Company, driving its business entity and subsidiaries to break through regional restrictions, explore potential of customer resources, actively carry out cross-regional operational business, and activate the operational culture atmosphere of the Company.

FINANCIAL REVIEW

Revenue

For the year ended December 31, 2021, although the Group has entered into new concrete supply contracts with an aggregate amount of approximately RMB3.5 billion in 2021, representing a certain increase as compared to the same period in 2020 (approximately RMB3.3 billion), the concrete supply contracts of the Group with an aggregate amount of approximately RMB1.9 billion as at December 31, 2021, could not be fulfilled in 2021, due to the following reasons: (1) the highway projects undertaken by the Group have successively entered the final stages in 2021, and there has been delayed commencement of new highway projects and other major projects which were originally scheduled in 2021, with an apparent slowdown in concrete demands from downstream as compared with the same period in 2020; (2) according to the “Notice on the Establishment of the Management Policy for Real Estate Loans Concentration by Financial Institutions in the Banking Industry*” (《關於建立銀行業金融機構房地產貸款集中度管理制度的通知》) issued by The People’s Bank of China (中國人民銀行) and China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) with effect from January 1, 2021, the banks have tightened the loans to the real estate enterprises and the construction companies confronted with fund shortage, which resulted the delay of new housing construction projects of the Group and a slower progress in the original housing construction projects; (3) A Dual Control System of Energy Consumption published by NDRC in September 2021 has limited the production of upstream cement industry for the Group’s operations, which resulted a sharp increase in cement prices due to the decrease in cements supply volume, therefore, the concrete industry was affected by both the aforesaid policy and cements supply shortage at the same time; and (4) the Group’s projects have been delayed in the prefectures and municipalities at the border in Yunnan Province due to the COVID-19 pandemic outbreak impacts on such prefectures and municipalities at the border in Yunnan Province. As a result, the Group’s concrete supply volume decreased significantly during the Reporting Period compared to the same period in 2020, resulting in a substantial decrease in the Group’s revenue. For the year ended December 31, 2021, the Group achieved revenue of RMB2,103 million, representing a year-on-year decrease of 47.5%. The total revenue from sales of ready-mixed concrete was RMB2,087 million, representing a decrease of 47.5% as compared with the previous year. In addition to the sales revenue of concrete products, the Group also recorded the revenue from sales of polycarboxylic admixtures products during the Reporting Period. The following table sets forth the breakdown of revenue for the year ended December 31, 2021 and for the year ended December 31, 2020:

	Year ended December 31,			
	2021		2020	
	<i>RMB in million</i>	<i>Percentage of operating revenue</i>	<i>RMB in million</i>	<i>Percentage of operating revenue</i>
Ready-mixed concrete	2,087	99.2%	3,977	99.3%
Polycarboxylic admixtures	16	0.8%	24	0.6%
Aggregates	0	0.0%	1	0.0%
Revenue from sales of products	2,103	100.0%	4,003	100.0%
Revenue from quality and technology management services	0	0.0%	1	0.0%
Total	2,103	100.0%	4,004	100.0%

Operating Expenses

In 2021, the Group's accumulated operating expenses for the year were RMB2,112 million, with a decrease of 43.5% compared to the previous year, representing 100.4% of operating revenue and an increase of 7.0 percentage points compared to the previous year. The decrease in operating expenses was less than the decrease in revenue, mainly due to the decrease of economies of scale as business volume decreased significantly.

Gross Profit and Gross Margin

During the Reporting Period, the gross profit generated from operations of the Group was RMB141 million (2020: RMB435 million). The overall gross margins for 2021 and 2020 were 6.7% and 10.9%, respectively. For specific reasons in relation to the apparent decrease in gross profit and gross margin, please refer to the analysis in the section headed "Results of Operation". The gross margin was 6.6% for the production and sales of ready-mixed concrete and 18.8% for the production and sales of polycarboxylic admixtures.

Profitability

Profit before income tax

In 2021, the Group recorded a profit before income tax of RMB15 million, representing a decrease of 94.6% as compared with that for the previous year, mainly due to the significant decrease in production and sales volume of concrete in the current year compared to the previous year, and no significant decrease in fixed costs compared to the previous year, resulting in a decrease in the economies of scale and a notable decrease in gross profit and gross margin, which ultimately led to a notable decrease in profit before income tax.

Income tax expense

In 2021, the income tax expense of the Group was RMB8 million, with an effective tax rate of 53.3% for the whole year, representing an increase of 35.0 percentage points as compared to the effective tax rate of 18.3% in the previous year. The Group's profit for the year was significantly lower than that of the previous year. The profitability of the Group's legal entities with different tax rates was uneven and the main profitable units of the year were subject to a tax rate of 25%, resulting in a higher consolidated tax rate for the Group at the consolidated level.

Profit for the year

In 2021, the Group realized profit for the year of RMB6.69 million, representing a decrease of 97.1% as compared with that for the previous year.

Administration Expenses

In 2021, the Group incurred administration expenses of RMB127 million (2020: RMB136 million), representing a year-on-year decrease of 6.6%.

General Information of Assets and Liabilities

As at December 31, 2021, the total assets of the Group were RMB4,762 million (December 31, 2020: RMB4,600 million), representing an increase of 3.5% as compared with that for the end of 2020. The assets of the Group were mainly trade and notes receivables, cash and bank deposits, and property, plant and equipment. Such assets accounted for 92.5% of the total assets of the Group, with trade and notes receivables and other assets accounting for 80.8% and 11.7% of the total assets, respectively.

As at December 31, 2021, the total liabilities of the Group were RMB3,414 million (December 31, 2020: RMB3,199 million), representing an increase of 6.7% as compared with that for the end of 2020.

Borrowings and Solvency

As at December 31, 2021, the total liabilities of the Group were RMB3,414 million (December 31, 2020: RMB3,199 million), of which 5.9% (December 31, 2020: 4.9%) were bank borrowings and 92.1% (December 31, 2020: 93.3%) were trade and other payables.

As at December 31, 2021, the total borrowings of the Group were RMB200 million (December 31, 2020: RMB156 million), all of which were bank borrowings and must be repaid within one year.

As at December 31, 2021, the weighted average effective interest rate for bank borrowings of the Group was 4.53%.

During the Reporting Period, the total finance costs of the Group were RMB8 million (2020: RMB8 million) and the earnings before interest and tax were RMB23 million (2020: RMB285 million). The interest coverage ratio (earnings before interest and tax divided by interest expenses) was 2.9 (2020: 38.3).

As at December 31, 2021, the gearing ratio (i.e. total liabilities divided by total assets) of the Group was 71.7% (December 31, 2020: 69.5%).

Liquidity and Capital Resources

The Group focuses on maintaining a reasonable capital structure and continuously improving its profitability in order to maintain a good credit standing and sound financial position.

As at December 31, 2021, the total current assets of the Group were RMB4,485 million (December 31, 2020: RMB4,327 million), including: (i) cash and bank deposits of RMB356 million (December 31, 2020: RMB529 million), accounting for 7.9% of current assets (December 31, 2020: 12.2%); (ii) trade and notes receivables of RMB3,848 million (December 31, 2020: RMB3,625 million), accounting for 85.8% of current assets (December 31, 2020: 83.8%); and (iii) prepayments and other receivables of RMB39 million (December 31, 2020: RMB30 million), accounting for 0.9% of current assets (December 31, 2020: 0.7%).

As at December 31, 2021, the current ratio (i.e. current assets divided by current liabilities) of the Group was 132.6% (December 31, 2020: 136.2%), representing a decrease of 3.6 percentage points as compared with last year.

During the Reporting Period, the net cash flow from operating activities of the Group was approximately RMB151 million net outflow (2020: approximately RMB51 million net outflow), representing a year-on-year increase of 196.1%. This is mainly due to the significant decrease in operating revenue in the current year compared to the previous year, leading to the decline in cash inflow from operations, while the cash outflows from activities such as payment of employee compensation and bonuses and notes deposits increased comparing to the previous year. Thus, overall resulting in a higher net cash outflow in the current year compared to the previous year.

Human Resources

As at December 31, 2021, we employed a total of 1,197 employees (December 31, 2020: 1,147). The table below sets out a breakdown of the number of employees by role as at December 31, 2021:

Role	Number
Management	154
Production management	306
Quality and technology	325
Procurement (materials supply)	107
Marketing	131
Administration and finance	169
Others	<u>5</u>
Total	<u><u>1,197</u></u>

We recruit employees in the open market, and established a scientific, reasonable, fair and impartial remuneration management system. The remuneration of employees mainly includes fixed salary, statutory allowances and subsidies, performance-related salary and benefits. In accordance with the PRC laws, the Group also makes contributions to pension, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing fund for employees. For the year ended December 31, 2021 and the year ended December 31, 2020, employee benefits and labor expenses were RMB255 million and RMB254 million, respectively, remaining relatively stable.

We consider employees to be our most valuable resource for our success. To ensure the quality of employees at all levels, we have set up in-house training programs to provide training for employees.

During the Reporting Period, we did not have any operation interruption attributable to major labor disputes or any complaints or claims from employees that were seriously adverse to our business. The Directors believe that we maintain a good relationship with employees and the Group did not have any major labor disputes that had a material impact on its normal business management during the Reporting Period.

Proceeds from the Global Offering

(i) Use of proceeds from the Global Offering

The Company received net proceeds from the Global Offering of approximately HK\$366.11 million. As disclosed in the 2020 annual results announcement of the Company dated March 26, 2021, the Company's remaining proceeds from the Global Offering amounted to HK\$288.36 million (equivalent to RMB259.16 million) as of March 26, 2021, excluding the decided utilization portion. On March 26, 2021, the Board resolved to change the use of proceeds from the Global Offering to building new production bases and improving the level of informatization of management.

During the period from March 26, 2021 to the date of this results announcement, the Company has actually utilised RMB5,500,600 in the construction of the new production bases and plans to continue to utilize RMB3,488,000 for such purpose by the end of 2023. As at December 31, 2021 and the date of this results announcement, the relevant utilization details are as follows:

Net proceeds from the Global Offering and the actual usage					
<i>(RMB million)</i>					
	As at March 26, 2021	As at December 31, 2021		As at the date of this results announcement	
	Available	Utilized	Unutilized	Utilized (including decided utilization portion)	Unutilized
Building new production bases	239.16	4.33	234.83	8.99 ^(Note)	230.17
Improving the level of informatization of management	<u>20.00</u>	<u>0.00</u>	<u>20.00</u>	<u>0.00</u>	<u>20.00</u>
Total	<u><u>259.16</u></u>	<u><u>4.33</u></u>	<u><u>254.83</u></u>	<u><u>8.99</u></u>	<u><u>250.17</u></u>

Note: Including the portion of RMB5,500,600 that has been actually utilized and the portion of RMB3,488,000 that has been decided but not actually utilized.

In addition, as disclosed in the Company's 2020 annual results announcement dated March 26, 2021, the Company has decided to utilize HK\$12.94 million (equivalent to RMB11.65 million) for the improvement, integration and expansion of the existing concrete production lines as of March 26, 2021. As of the date of this results announcement, the Company has actually utilized RMB8,366,800 for such purpose with a balance of RMB3,283,100. With full consideration of future investment requirements and based on relevant contracts and settlements, it is expected that RMB2,789,900 will be used by the end of 2023, resulting in a balance of RMB0.49 million. Accordingly, taking into account the aforementioned balance, the net proceeds from the Global Offering available for change of use amounted to RMB250.66 million.

(ii) Change in use of proceeds from the Global Offering

In conjunction with the Company's development plan, the Board has assessed the actual business needs of the Company and, after due consideration, resolved to further change the use of the unutilized net proceeds from the Global Offering:

- (a) approximately RMB150.00 million will be used for the acquisition and consolidation of aggregates and mining resources and investments in related fixed assets;
- (b) approximately RMB75.00 million will be used for technical renovation of concrete production and related equipment purchases and investments in fixed assets; and
- (c) approximately RMB25.66 million will be used for research and development of new products and new technologies and related equipment purchases and investments in fixed assets.

The details for use of proceeds after the change are set out as follows:

	Allocation of the unutilized proceeds from the Global Offering after the change (RMB million)	Plan for use of proceeds from the Global Offering after the change
Acquisition and consolidation of aggregates and mining resources and investments in related fixed assets	150.00	By end of 2024
Technical renovation of concrete production and related equipment purchases and investments in fixed assets	75.00	By end of 2024
Research and development of new products and new technologies and related equipment purchases and investments in fixed assets	25.66	By end of 2024
Total	<u>250.66</u>	

(iii) Reasons for the change in use of proceeds from the Global Offering

Due to the fact that (1) there has been delayed commencement of new highway projects and other major projects which were originally scheduled in 2021; and (2) the banks have tightened the loans to the real estate enterprises and the construction companies confronted with fund shortage, which resulted in the delay of new housing construction projects of the Group, we delay the planned use of proceeds from the Global Offering in relation to the proposed construction of the Company's ancillary production bases for products of concrete and/or aggregates. In addition, the planned upgrade of the Company's integrated business and financial information management system by use of proceeds from the Global Offering has currently not yet been invested due to the long time taken to prepare for the initial interface, and considering that the Company also has its own research and development capability, it plans to upgrade the level of informatization of management of the Company by investing some of its own funds.

According to the State's and Yunnan Province's development plan for the "14th Five-Year Plan" period, the State will promote green building materials, build low-carbon cities and promote clean, low-carbon, safe and efficient use of energy; Yunnan Province will accelerate the establishment of a sound low-carbon recycling development economic system, enhance the green level of urban and rural construction, vigorously promote green building materials and green buildings, and build a market-oriented green technology innovation system in the future. In addition, Yunnan Province will accelerate the construction of new infrastructure, new urbanization and the construction of major transportation and water conservancy projects represented by the "Double Ten" project. Against the aforementioned background, the Company, as the largest producer of commercial concrete in Yunnan Province, plans to focus on technological transformation and upgrading of concrete production and acquisition of related equipment by mastering certain aggregates and mining resources, investing in related fixed assets, participating in relevant urban construction projects, and fully utilizing its own strength in technological research and development to develop new products and new technologies that will bring economic and social benefits to the Company.

Material Acquisition, Disposal and Investments

For the year ended December 31, 2021, the Company did not make any material acquisitions and disposals of subsidiaries, associates or joint ventures. As at December 31, 2021, the Group did not hold any significant investments.

Charge on the Group's Assets

As at December 31, 2021, no property, plant and equipment had been provided as bank collaterals.

Foreign Exchange Risk

Although the Company operates in China and collects revenues and pays costs/fees in RMB, the Company is listed on the Hong Kong Stock Exchange and has raised proceeds denominated in HKD of approximately HK\$366.11 million (less the underwriting commission and other estimated expenses paid and payable by the Company for the Global Offering). As at December 31, 2021, the balance of the Group's carrying cash and bank deposits denominated in HKD amounted to HK\$18.84 million. The exchange rate fluctuations have certain influence on the foreign currency that we hold. The Group has currently not entered into any hedging arrangement against foreign exchange exposure.

Contingent Liabilities

As at December 31, 2021, the Group had no material contingent liabilities.

Major Investment Plans

The Group intends to expand its industrial layout and participate in key projects and major works under the “14th Five-Year Plan” for the coordinated regional development of Yunnan Province. The first is to expand upstream raw material resources, carry out acquisition and integration of aggregates and mining resources and investment in related fixed assets, including acquisition and integration of aggregates mines, acquisition of high-quality aggregates and mining enterprises and investment in fixed assets, etc.; the second is to consolidate the concrete main business, carry out technical transformation of existing concrete production, and purchase related equipment, invest in fixed assets as well as build new concrete batching plants; the third is to combine the State and Yunnan Province’s policies on promoting green and low-carbon development and green building materials, and carry out research and development of new products and new technologies, as well as invest in relevant new production capacity. The Company will continue to improve its industrial chain structure and eventually achieve closure. If such investment projects are carried out in the next year, their source of funding will be primarily from proceeds from the Global Offering or liquidity of the Company.

Outlook

The “14th Five-Year Plan” is an important period for the ready-mixed concrete industry to upgrade, breakthrough and reinvent itself. As for real economy, the 14th Five-Year Plan for National Economic and Social Development of Yunnan Province and the Outline of the 2035 Vision put forward the spatial layout of “the rise of central Yunnan Province, the opening up of the border, the development of northeastern Yunnan Province and the integration of western Yunnan Province”, and focused on the implementation of ten major projects for urban construction, the construction of well-off villages along the border, and the construction project of large transport links. At the same time, in accordance with the 14th Five-Year Plan for Construction Industry Development of Yunnan Province, 14th Five-Year Plan Outline for Housing and Urban-Rural Development of Yunnan Province and other planning documents, the construction industry will see greater development during the “14th Five-Year Plan” period. In terms of finance, since the publication of Guiding Opinions on Promoting Supply Chain Finance for Serving the Real Economy by China Banking and Insurance Regulatory Commission, the implementation of such document has been further promoted in various places. The Group has started to build a digital supply chain financial platform since the end of 2021. On this basis, the Group will further seize the development opportunities in the construction industry, and at the same time make full use of the green finance policy and leverage the digital supply chain financial platform to enhance its competitiveness and continuously integrate upstream and downstream enterprises to expand its business scale.

Industry Outlook

To promote the comprehensive green transformation of economic and social development, on January 6, 2022, the People's Government of Yunnan Province issued the Action Plan to Accelerate the Establishment of a Sound Green and Low Carbon Circular Development Economy in Yunnan Province. The document clearly points out that it will vigorously promote green building materials and green construction, promote the production and application of green building materials and resource utilization of construction waste and encourage the use of bulk solid waste as raw materials for new wall materials and decoration materials. The assembled buildings and buildings using assembled technology system will steadily increase the proportion of new construction area. In addition, the document pointed out that it will vigorously develop green finance and guide financial institutions to support the development of green and environmental enterprises. In the future, the concrete industry will accelerate the promotion of green and low-carbon development, strive to break through the traditional industry mindset, promote the upgrade from traditional industry to green transformation, explore a new development path, and build a new industry development mode. We believe that the industry will also embrace opportunities for development when facing great challenges.

Market Prospect

Broad market prospect in Yunnan Province. Driven by the rapid economic development in Yunnan Province, the investment in infrastructure construction and fixed assets in real estate industry in Yunnan Province has increased rapidly. In the future, as the potential of economic development continues to be released, the construction of "Five Networks" in Yunnan Province will continue to advance, the construction of urbanization will accelerate and maintain strong growth momentum, which will in turn promote the rapid increase in the demand for ready-mixed concrete in Yunnan Province. In the next five years, on the basis of the "All Access" project for county highways, Yunnan Province will launch the "Interconnection and Intercommunication" project, starting construction of 78 highway projects, covering 6,024 kilometers, with a total investment of RMB1,024.1 billion. The project will gradually build a well-defined, functional, extensive and interconnected highway network, laying a solid transport foundation for Yunnan Province to achieve quality and leapfrog development. As a concrete enterprise with leading technology and the strongest and most stable supply capacity in Yunnan Province, the Company has extensive experience in concrete supply for large scale projects. Therefore, we will take advantage of the opportunities to participate in infrastructure construction projects in Yunnan Province to the greatest extent, so as to continuously increase market share and profitability and further consolidate our leading position in the market.

Green building materials and intelligent manufacturing are promising. Against the background of the State and Yunnan Province promoting comprehensive green transformation of economic and social development, we will actively participate in the market areas of new green building materials and intelligent manufacturing. Relying on the newly established five major business divisions, we will actively promote new materials and new technologies, including UHPC, resource utilization of construction waste, new green and low-carbon materials and intelligent construction, to generate revenue for the Company and continuously promote the development of green and low-carbon intelligent construction in Yunnan Province at the same time, and take the lead in new market areas.

Future Focus

The Group will further optimize its corporate governance structure and organizational management structure, and earnestly get down to its production and operation management in 2022 with reducing costs and increasing efficiency as a principal line. We will continue to build the supply chain and financial industry chain with the three centralized procurement platforms as the core, innovate business models and integrate industry resources; continue to promote centralized procurement of raw materials, carry out cost-quota management and improve management efficiency; accelerate the development and implementation of new products and new businesses and optimize the product business structure.

Constructing a digital supply chain financial platform. The total output value of aggregates, concrete and cement product industries in Yunnan Province is over RMB100 billion. The overall volume of the concrete industry is large but with a low concentration and a chaotic market. From the perspective of the overall development of the industry, the Group will construct a digital supply chain financial platform to solve the long-standing problem of receivables and payables in the building material industry by cooperating with banking and financial institutions to transfer the traditional building materials business to an online platform, turning operational data into digitalization assets and realizing credit financing for the upstream and downstream. At the same time, through the digital financial empowerment, it will construct the upstream and downstream industrial chain clusters; through the digital financial means, it will integrate the aggregates, concrete and cement product industries to create a platform economy, and quickly grow larger, better and stronger.

Centralized procurement of main materials to reduce procurement costs and improve operating efficiency. The Group will start from reducing intermediaries and lowering raw material costs to build three major centralized procurement platforms. As subsidiaries of the Company, 14th Metallurgical New Material Company is responsible for the transportation, procurement and supply of cement, compound and concrete, Aggregate Company is responsible for the procurement and supply of aggregate materials, and Polymer Company is responsible for the procurement and supply of polycarboxylic admixtures. By centralizing the procurement of upstream raw materials and transportation through tender and utilizing the digital supply chain financial platform and introducing bank supply chain financial services, the Group will be able to reduce intermediate advance costs and finance costs, thereby significantly reducing raw material procurement costs and continuously optimizing the Group's operating efficiency.

Continue to strengthen scientific research and technological innovation, promote green building materials and intelligent construction. The Group will also continue to focus on the development of ultra-high performance concrete and related products. By strengthening cooperation with Chinese universities (research institutes), we make full use of the Group's existing provincial research platform, continuously improve its technological research and development and technological innovation capabilities, actively develop high-end manufacturing, green manufacturing and high-quality manufacturing, comprehensively improve its brand quality, comprehensively promote green and low-carbon development and the industrial application of advanced technologies, and promote construction industry to become an ecological and environmental, green and low-carbon industry with intelligent construction and improve sustainable development capacity.

Strengthen the Company's internal management and continuously improve the construction of the internal control system

- (i) **Accelerate the upgrading of information management.** We will endeavor to optimize our production process, promote the upgrading of facilities and equipment, accelerate informatization upgrades, continuously improve the efficiency of production and delivery, and ensure that all staff and production facilities work in tandem, each business segment is implemented in blocks and all business segment management information is gradually implemented to further improve operational management efficiency. Based on the construction idea of "unifying the platform, meeting the needs and responding to the future", a collectivized, integrated and intelligent application control platform will be established. Combining the current situation and future development plan of the Company, the Company will gradually transfer its production and management operations to the information system, transform and upgrade the system in the direction of intellectualization and Internet of things, and construct a system platform with automation of production and operation processes, intellectualization of transportation and logistics, visualization of operations, refinement of business processes and integration of information and data by means of information technology, so as to achieve the construction objectives of horizontal synergy and vertical multi-dimensional management and control, realize the Company's business and finance integration, satisfy the integrated management needs of the Company's various levels of management in different business modes and multiple business modules, realize centralized data management and multi-dimensional analysis of information, and enhance support for leadership decisions, grasp market opportunities and hedge the Company's risks.

- (ii) **Continuously improve the internal control management system.** We will integrate the quality, environment and occupation health and safety management systems and the corporate internal control management system, revise the system and management documents, improve and deepen the business processes, and enhance the regularity and efficiency of the business processes, taking into account the new business layout and management functions of the Company. At the same time, the integration of the management system and informatization will be accelerated. By allowing information flow and business flow to run in a closed pipeline through the management information system, we will release the Company's management resources, allow the management department to better perform its supervision and service effectiveness, and improve the efficiency of daily operation and decision-making. To clarify the strategic positioning and work objectives of each production and operation unit, we will continuously enhance the operational efficiency of our subsidiaries and innovative business units, highlight our core competitiveness while exploring new businesses, and continuously improve our management standards.

Final Dividend for 2021

Pursuant to a resolution of the Board passed on March 29, 2022, the Board proposed that no final dividend for the year ended December 31, 2021 would be declared to the Shareholders, which is subject to Shareholders' approval at the 2021 annual general meeting of the Company.

Corporate Governance Code

The Company has been committed to improving its corporate governance standards since its establishment. Pursuant to the code provisions of the Corporate Governance Code, it has established a modern corporate governance structure under which the general meeting, the Board, the Supervisory Committee and senior management of the Company effectively exercise checks and balances on each other and operate independently. The Company adopts the Corporate Governance Code as its corporate governance practice.

For the year ended December 31, 2021, the Company has complied with all applicable code provisions set out in the Corporate Governance Code, except for the relevant deviation from code provision C.2.1 (former code provision A.2.1) of the Corporate Governance Code as described below. Details of the Company's corporate governance are set out in the 2021 Annual Report to be published in due course.

Mr. Zhang Yingyue resigned as the chairman of the Company on November 26, 2021 and Mr. Lu Jianfeng, the then general manager of the Company, performed the duties of the chairman of the Company from November 26, 2021 to December 21, 2021. During the period when Mr. Lu Jianfeng, the general manager of the Company, acted as the chairman of the Company, notwithstanding the deviation from code provision C.2.1, the supervision of the Board (then comprising two executive Directors, two non-executive Directors and three independent non-executive Directors) was sufficient to ensure a proper structure of checks and balances of power and to provide sufficient checks to protect the interests of the Company and the Shareholders. In addition, with effect from December 21, 2021, Mr. Li Zhangjian has served as the chairman of the Company and Mr. Zhang Long has replaced Mr. Lu Jianfeng to serve as the general manager of the Company. Accordingly, the Company is now in compliance with the requirements of code provision C.2.1.

Model Code for Securities Transactions

The Company has adopted the Model Code as the code of conduct for all the Directors, Supervisors and relevant employees (as defined in the Hong Kong Listing Rules) of the Company to conduct securities transactions of the Company. Upon specific enquiries with all the Directors and Supervisors, the Directors and Supervisors confirmed that they have strictly complied with the required standards set out in the Model Code for the year ended December 31, 2021.

Purchase, Sale or Redemption of Listed Securities

For the year ended December 31, 2021, the Company or any of its subsidiaries have not purchased, sold or redeemed any of the Company's listed securities.

Audit Committee

For the year ended December 31, 2021, the audit committee of the Company (the “**Audit Committee**”) is chaired by Mr. Li Hongkun as an independent non-executive Director, and comprises the independent non-executive Directors, namely Mr. Wong Kai Yan Thomas and Mr. Yu Dingming (who has served as a member since December 21, 2021) and the non-executive Directors, namely Mr. Jiang Qian (who has served as a member since January 29, 2021) and Mr. He Jianqiang (who has served as a member since December 21, 2021). Mr. Liu Guangcan, a former non-executive Director, ceased to be a member of the Audit Committee with effect from January 29, 2021.

The Audit Committee has adopted terms of reference consistent with that in the Corporate Governance Code. The primary duties of the Audit Committee include reviewing and supervising the Group's financial monitoring, risk management and internal control systems and procedures, reviewing the Group's financial data and reviewing the Company's relationship with its external auditors. The 2021 annual results and the 2021 audited financial statements of the Group have been reviewed by the Audit Committee.

Scope of Work of the Group's Auditor

In this results announcement, the figures in the Group's consolidated income statement, consolidated statement of comprehensive income, consolidated statement of financial position and relevant notes (the “**Financial Information**”) do not constitute the statutory financial statements of the Group for the year ended December 31, 2021, but represent an extract of the said financial statements. The Financial Information (including comparative figures) has been reviewed by the Audit Committee and recognized by the Group's international auditor, PwC, and is consistent with the figures set out in the audited consolidated financial statements of the Group for the year ended December 31, 2021. PwC's work in this aspect does not constitute assurance engagement as defined in the International Review Standard, International Standard on Review Engagements or International Standard on Assurance Engagements issued by the Association of International Accountants. Therefore, PwC does not provide assurance for this announcement.

Publication of 2021 Annual Results Announcement and 2021 Annual Report on the Websites of the Hong Kong Stock Exchange and the Company

This results announcement is published on the websites of the Hong Kong Stock Exchange (www.hkexnews.hk) and the Company (<https://www.ynhnt.com>). The 2021 Annual Report containing all the information required under the Hong Kong Listing Rules will be despatched to the Shareholders and published on the websites of the Hong Kong Stock Exchange and the Company in due course.

Definitions

In this results announcement, unless the context otherwise requires, the following terms shall have the meanings set forth below:

“14th Five-Year Plan”	“14th Five-Year Plan for National Economic and Social Development and the Outline of Visions for 2035 of the People’s Republic of China”, a set of targets to strengthen the China’s economy from 2021 to 2025 and a vision target for 2035
“14th Metallurgical New Material Company”	YCIH 14th Metallurgical Green New Material Co., Ltd.* (雲南建投十四冶綠色新材料有限公司), a subsidiary of the Company
“A Dual Control System of Energy Consumption”	the “Programme for Improving the Dual Control System of Energy Consumption Intensity and Total Volume” issued by NDRC in September 2021
“Aggregate Company”	YCIH Aggregate Co., Ltd.* (雲南建投砂石料有限公司), a subsidiary of the Company
“Board”	the board of Directors of the Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this results announcement only, excluding Hong Kong, Macau Special Administrative Region and Taiwan region
“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, whole H Shares are listed on the Main Board of the Hong Kong Stock Exchange
“Corporate Governance Code”	the Corporate Governance Code (formerly known as the Corporate Governance Code and Corporate Governance Report) as set out in Appendix 14 to the Hong Kong 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 RMB
“Double Ten”	major infrastructure construction projects in Yunnan Province, including ten projects under construction and ten newly-commenced construction projects
“Five Networks”	a development strategy implemented by the Yunnan Provincial Government, including the construction of networks of road, aviation, energy, water and Internet
“Group”, “our”, “we” or “us”	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 and traded on the Main Board of the Hong Kong Stock Exchange
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“HKD” or “HK\$”	Hong Kong dollars and Hong Kong cents, the lawful currency of Hong Kong
“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on the Hong Kong Stock Exchange, as amended, supplemented or otherwise modified from time to time
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“IFRSs”	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
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with GEM of the Hong Kong Stock Exchange
“Model Code”	the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules

“NDRC”	National Development and Reform Commission of the PRC* (中國國家發展和改革委員會)
“Polymer Company”	YCIH Polymer Material Co., Ltd.* (雲南建投高分子材料有限公司), a subsidiary of the Company
“PwC”	PricewaterhouseCoopers (Hong Kong Certified Public Accountants)
“Qujing Building Material”	YCIH Qujing Building Material Co., Ltd.* (雲南建投曲靖建材有限公司), a subsidiary of the Company
“Reporting Period”	for the year ended December 31, 2021
“RMB”	Renminbi, the lawful currency of the PRC
“Share(s)”	the 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 the Share(s)
“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the supervisor(s) of the Company
“Supervisory Committee”	the supervisory committee of the Company
“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)
“Yunnan Province”	Yunnan Province of the PRC
“%”	percent

Certain amounts and percentage figures included in this announcement have been subject to rounding. Accordingly, figures shown as totals in certain tables may not be an arithmetic aggregation of the figures preceding them. Any discrepancies in any table or chart between the total shown and the sum of the amounts listed are due to rounding.

By Order of the Board
YCIH Green High-Performance Concrete Company Limited
Li Zhangjian
Chairman

Kunming, China, March 29, 2022

As at the date of this announcement, the Board comprises Mr. Li Zhangjian, Mr. Lu Jianfeng, Mr. Zhang Long 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.

** For identification purposes only*