
THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

If you are in any doubt as to any aspect of this circular or as to the action to be taken, you should consult your stockbroker or other registered dealer in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in YCIH Green High-Performance Concrete Company Limited, you should at once hand this circular as well as relevant form of proxy to the purchaser or transferee, or to the bank, stockbroker or other agent through whom the sale or transfer was effected for transmission to the purchaser or transferee.

Hong Kong Exchanges and Clearing Limited and The Stock Exchange of Hong Kong Limited take no responsibility for the contents of this circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this circular.



雲建綠砼
GHPC

YCIH Green High-Performance Concrete Company Limited
雲南建投綠色高性能混凝土股份有限公司

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

(Stock Code: 1847)

(1) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR
(2) AMENDMENTS TO THE 2022 ADMINISTRATIVE MEASURES ON
REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS
(3) MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE 2023 FINANCIAL SERVICES
FRAMEWORK AGREEMENT
(4) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 PRODUCTS SALES FRAMEWORK
AGREEMENT AND THE 2023 RAW MATERIALS, PRODUCTS AND
SERVICES PROCUREMENT FRAMEWORK AGREEMENT
(5) ADJUSTMENTS OF BUSINESS SCOPE AND AMENDMENTS TO THE
ARTICLES OF ASSOCIATION
AND
NOTICE OF THE EGM

Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders



建泉融資有限公司

VBG Capital Limited

A letter from the Board is set out on pages 6 to 45 of this circular. A letter from the Independent Board Committee in respect of the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) is set out on pages 46 to 47 of this circular. A letter of advice from VBG Capital, the Independent Financial Adviser, in respect of the same to the Independent Board Committee and the Independent Shareholders is set out on pages 48 to 68 of this circular. The Company intends to convene the EGM at 3:30 p.m. on Friday, December 30, 2022 at Conference Room No. 908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC. The notice of the EGM is set out on pages 83 to 85 of this circular.

Enclosed herewith is a form of proxy for use at the EGM, such form of proxy is also published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ynhnt.com).

If you intend to appoint a proxy to attend the EGM, you are required to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same. The form of proxy should be returned to the H Share Registrar for holders of H Shares, or to the Board office of the Company for holders of Domestic Shares, in any event served by hand, by post or by fax not less than 24 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof.

December 8, 2022

CONTENTS

| | <i>Page</i> |
|--|-------------|
| Definitions | 1 |
| Letter from the Board | 6 |
| Letter from Independent Board Committee | 46 |
| Letter from VBG Capital | 48 |
| Appendix I Financial Information of the Group | 69 |
| Appendix II General Information | 72 |
| Appendix III 2022 Administrative Measures on Remuneration and Evaluation for Executive Directors | 75 |
| Notice of the EGM | 83 |

DEFINITIONS

In this circular, unless the context otherwise requires, the following terms and expressions 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 designed to strengthen China’s economy from 2021 to 2025 and a vision target for 2035 |
| “2019 Financial Services Framework Agreement” | the financial services framework agreement dated October 15, 2019 entered into between the Company and YCIH Financial Company |
| “2020 Financial Services Framework Agreement” | the financial services framework agreement dated March 27, 2020 entered into between the Company and YCIH Financial Company |
| “2020 Products Sales Framework Agreement” | the products sales framework agreement dated March 27, 2020 entered into between the Company and YCIH |
| “2020 Raw Materials, Products and Services Procurement Framework Agreement” | the raw materials, products and services procurement framework agreement dated March 27, 2020 entered into between the Company and YCIH |
| “2023 Financial Services Framework Agreement” | the financial services framework agreement entered into between the Company and YCIH Financial Company on October 31, 2022, pursuant to which YCIH Financial Company agreed to provide a range of financial services to the Company and the Company agreed to use some or all such financial services depending on its requirements |
| “2023 Products Sales Framework Agreement” | the products sales framework agreement entered into between the Company and YCIH on October 31, 2022, pursuant to which the Group agreed to sell concrete, aggregates and other products to YCIH and its associates |
| “2023 Raw Materials, Products and Services Procurement Framework Agreement” | the raw materials, products and services procurement framework agreement entered into between the Company and YCIH on October 31, 2022, pursuant to which the Group agreed to procure raw materials, products and services from YCIH and its associates |
| “Articles of Association” | the articles of association of the Company, as amended, modified or otherwise supplemented from time to time |
| “associate(s)” | has the meaning ascribed to it under the Listing Rules |
| “Board” | the board of Directors of the Company |

DEFINITIONS

| | |
|---|---|
| “CBIRC” | The China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會) |
| “CCT Announcement” | the announcement of the Company dated October 31, 2022 in relation to the continuing connected transactions contemplated under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement |
| “Centralized Procurement Platform” | the centralized procurement management information platform of YCIH (URL: www.inja.com) required under the Centralized RM Procurement Policy |
| “Centralized RM Procurement Policy” or “Policy” | the raw materials procurement guiding policy adopted by YCIH Group for the projects invested, constructed and built by it, which requires the raw materials fulfilling specific requirements in such projects shall be purchased from YCIH Group |
| “China”, “PRC” or “State” | the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the 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, 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 |
| “controlling shareholder(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 |

DEFINITIONS

| | |
|--|--|
| “EGM” | the extraordinary general meeting to be convened by the Company to consider and, if thought fit, approve, (1) proposed appointment of non-executive Director; (2) amendments to the 2022 Administrative Measures on Remuneration and Evaluation for Executive Directors; (3) major transactions and continuing connected transactions in relation to the 2023 Financial Services Framework Agreement; (4) continuing connected transactions in relation to the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreements; and (5) adjustments of business scope and amendments to the Articles of Association |
| “Existing Continuing Connected Transactions” | the existing continuing connected transactions conducted under any of the 2020 Financial Services Framework Agreement, the 2020 Products Sales Framework Agreement or the 2020 Raw Materials, Products and Services Procurement Framework Agreement |
| “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 was listed on the Main Board of the Stock Exchange and are subscribed and traded in Hong Kong Dollars |
| “H Share Registrar” | Computershare Hong Kong Investor Services Limited |
| “Hong Kong” or “HK” | the Hong Kong Special Administrative Region of the PRC |
| “Hong Kong Dollars” or “HK\$” | Hong Kong dollars, the lawful currency of Hong Kong |
| “Independent Board Committee” | the board committee, comprising Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun, the independent non-executive Directors, established to advise the Independent Shareholders in respect of the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) |

DEFINITIONS

| | |
|--|---|
| “Independent Financial Adviser” or “VBG Capital” | VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) |
| “Independent Shareholders” | Shareholders other than YCIH and its associates |
| “KMEIC” | Kunming Economic and Technological Development Zone Investment and Development (Group) Co., Ltd.* (昆明經濟技術開發區投資開發(集團)有限公司), a limited liability company established in the PRC and a Shareholder holding 7.25% of the issued share capital of the Company as of the Latest Practicable Date |
| “Latest Practicable Date” | December 5, 2022, being the latest practicable date prior to the printing of this circular for the purpose of ascertaining certain information contained in this circular |
| “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 Growth Enterprise Market of the Stock Exchange |
| “PBOC” | People’s Bank of China (中國人民銀行) |
| “percentage ratio” | has the meaning ascribed to it under the Listing Rules |
| “RMB” | Renminbi yuan, the lawful currency of the PRC |
| “SFO” | the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time |
| “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 |

DEFINITIONS

| | |
|--------------------------|---|
| “Shareholder(s)” | holder(s) of Shares of the Company |
| “Stock Exchange” | The Stock Exchange of Hong Kong Limited |
| “Supervisor(s)” | the supervisor(s) of the Company |
| “UHPC” | ultra-high performance concrete |
| “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, a controlling shareholder of the Company and a connected person 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), a limited liability company established in the PRC, a subsidiary of YCIH and a connected person of the Company |
| “YCIH Group” | YCIH and its subsidiaries |
| “YOIC” | Yunnan Provincial Overseas Investment Co., Ltd.* (雲南省海外投資有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of YCIH and a controlling shareholder of the Company |
| “Yunnan Province” | Yunnan Province, the PRC |
| “Yunnan SASAC” | State-Owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government (雲南省人民政府國有資產監督管理委員會) |
| “%” | per cent |

* For identification purposes only

LETTER FROM THE BOARD



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)

Executive Directors:

Mr. Li Zhangjian
Mr. Lu Jianfeng
Mr. Zhang Long
Ms. Hu Zhurong (*employee Director*)

Non-executive Director:

Mr. Jiang Qian

Independent non-executive Directors:

Mr. Wong Kai Yan Thomas
Mr. Yu Dingming
Mr. Li Hongkun

Registered office:

YCIH Zhaotong Development Building
Zhaotong Avenue
Zhaoyang District, Zhaotong
Yunnan Province, the PRC

Headquarters in the PRC:

5/F and 9/F, YCIH Development Building
188 Linxi Road
Information Industrial Base Economic and
Technological Development Zone,
Kunming
Yunnan Province, the PRC

Principal place of business in Hong Kong:

31/F, Tower Two, Times Square
1 Matheson Street, Causeway Bay
Hong Kong

To the Shareholders:

Dear Sir/Madam,

- (1) PROPOSED APPOINTMENT OF NON-EXECUTIVE DIRECTOR**
(2) AMENDMENTS TO THE 2022 ADMINISTRATIVE MEASURES ON
REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS
(3) MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE 2023 FINANCIAL SERVICES
FRAMEWORK AGREEMENT
(4) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 PRODUCTS SALES FRAMEWORK
AGREEMENT AND THE 2023 RAW MATERIALS, PRODUCTS AND
SERVICES PROCUREMENT FRAMEWORK AGREEMENT
(5) ADJUSTMENTS OF BUSINESS SCOPE AND AMENDMENTS TO THE
ARTICLES OF ASSOCIATION
AND
NOTICE OF THE EGM

LETTER FROM THE BOARD

I. INTRODUCTION

The purpose of this circular is to give you notice of the EGM and to provide you with further information in relation to the following resolutions to be proposed at the EGM to enable you to make an informed decision on whether to vote for or against or abstain from voting on the resolutions to be proposed at the EGM. Such resolutions and details are set out in the letter from the Board.

According to Article 106 of the Articles of Association, when the general meeting votes on the election of Directors, it may, pursuant to the Articles of Association or a resolution of the general meeting, do so by cumulative voting. “Cumulative voting” means that, when the general meeting votes to elect non-employee representative Directors or Supervisors, each Share carries a number of voting rights equivalent to the number of Directors or Supervisors to be elected, and a Shareholder may consolidate his or her voting rights. Therefore, the resolution for the proposed appointment of non-executive Director as set out in the notice of the EGM will be conducted by way of cumulative voting.

II. MATTERS TO BE CONSIDERED AT THE EGM

Ordinary Resolutions

1. Proposed appointment of non-executive Director

Reference is made to the announcement of the Company dated October 31, 2022 in relation to the resignation and proposed appointment of non-executive Director.

Given that Mr. He Jianqiang (“**Mr. He**”) as a non-executive Director of the second session of the Board resigned as a non-executive Director and the relevant positions in the Board committees due to work adjustment, he has confirmed that he has no disagreement with the Company and the Board, and there is no matter in relation to his resignation that needs to be brought to the attention of the Shareholders or the Stock Exchange. The Company hereby expresses its sincere gratitude to Mr. He for his contributions to the development of the Company during his term of office. In accordance with the Company Law of the People’s Republic of China (the “**Company Law**”) and the Articles of Association, the Board proposes to appoint Mr. Liu Zhumin (“**Mr. Liu**”) as a non-executive Director of the second session of the Board. His term of office shall commence from the date of approval at the EGM to the date of expiry of the term of the second session of the Board.

In accordance with the Articles of Association, the proposed appointment of non-executive Director is subject to Shareholders’ approval at the general meeting. The relevant proposal will be submitted to the EGM for the Shareholders’ consideration and approval.

The biographical details of the candidate for non-executive Director are as follows:

Mr. Liu Zhumin, aged 56, has been serving as the vice president of KMEIC since October 2020.

LETTER FROM THE BOARD

Mr. Liu used to serve as the assistant of general manager of KMEIC from December 2006 to March 2009; the deputy general manager of KMEIC from March 2009 to October 2010; the deputy director of Kunming City State-owned Land Resources Bureau – Economic and Technological Development Zone Sub-Bureau* (昆明市國土資源局經濟技術開發區分局) from April 2009 to December 2017; the deputy director of Kunming National Economic and Technological Development Zone Sub-Center of Mineral Land Reserve Center of Kunming City* (昆明市土地礦產儲備中心昆明國家經濟技術開發區分中心) from November 2011 to December 2017; the chairman of Kunming Tongfu Real Estate Development Co., Ltd.* (昆明同富房地產開發有限公司) from September 2015 to January 2017; the chairman of Kunming Tongtai Real Estate Co., Ltd.* (昆明通泰置業有限公司) from September 2015 to December 2021; the chairman of Kunming Economic and Technological Development Zone Jiaming Industrial Investment and Development Co., Ltd.* (昆明經濟技術開發區嘉銘產業投資開發有限公司) since September 2015; and the chairman of Kunming Economic and Technological Development Zone Construction Management Co., Ltd.* (昆明經濟技術開發區建設管理有限公司) since February 2019.

Mr. Liu graduated from Yunnan Engineering College* (雲南工學院) in July 1988, majoring in internal combustion engines. Mr. Liu was also awarded the title of senior engineer in real estate as recognized by the Construction Engineering Senior Engineer Review Committee of Kunming City in January 2017.

As at the Latest Practicable Date, save as disclosed above, Mr. Liu (i) does not have any relationship with any Director, senior management, substantial Shareholder or controlling Shareholder of the Company (as defined under the Listing Rules); (ii) does not hold any position in the Company or any of its subsidiaries; (iii) has not held any directorship in any listed companies whose securities are listed on any securities market in Hong Kong or overseas during the past three years; (iv) does not have any other major appointments and professional qualification; and (v) does not have any interest in the Shares as defined in Part XV of the SFO.

Save as disclosed above, there are no other matters related to Mr. Liu's proposed appointment that need to be brought to the attention of the Shareholders or the Stock Exchange and nor is there any information in relation to Mr. Liu that needs to be disclosed pursuant to Rules 13.51(2)(h) to (v) of the Listing Rules.

The Company will enter into a service contract with Mr. Liu after his appointment is approved at the EGM. Mr. Liu will not receive any remuneration as a non-executive Director from the Company.

2. Amendments to the 2022 Administrative Measures on Remuneration and Evaluation for Executive Directors

An ordinary resolution will be proposed at the EGM to approve the amendments to the 2022 Administrative Measures on Remuneration and Evaluation for Executive Directors, the amended version of which is set out in the Appendix III in this circular. Such amendments were made in accordance with the relevant arrangements and work requirements of the three-year action plan for

LETTER FROM THE BOARD

reform of state-owned enterprises. The resolution has been considered by the remuneration and evaluation committee of the Board at its third meeting in 2022 and approved at the 20th meeting of the second session of the Board.

3. Major transactions and continuing connected transactions in relation to the 2023 Financial Services Framework Agreement

(1) 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 Existing Continuing Connected Transactions under the 2020 Financial Services Framework Agreement.

Given that the term of the 2020 Financial Services Framework Agreement is due to expire on December 31, 2022, the Company and YCIH Financial Company entered into the 2023 Financial Services Framework Agreement on October 31, 2022 for the renewal of the 2020 Financial Services Framework Agreement. Pursuant to the 2023 Financial Services Framework Agreement, YCIH Financial Company will provide a range of financial services to the Group.

(2) 2023 Financial Services Framework Agreement

Parties

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

Principal terms

On October 31, 2022, the Company entered into the 2023 Financial Services Framework Agreement with YCIH Financial Company, pursuant to which YCIH Financial Company agreed to provide the following financial services and the Company agreed to use some or all such financial services depending on its requirements:

- (i) deposit services;
- (ii) bills acceptance and discount services;
- (iii) letters of guarantee services; and
- (iv) other financial services (including but not limited to assistance in fund receipt and payment and other business approved by the CBIRC).

LETTER FROM THE BOARD

The 2023 Financial Services Framework Agreement shall become effective from January 1, 2023 upon the Company obtaining the approval of the Independent Shareholders at the EGM, and shall remain valid until December 31, 2025. Subject to compliance with the Listing Rules, the 2023 Financial Services Framework Agreement may be renewed as agreed by both parties.

The other principal terms of the 2023 Financial Services Framework Agreement are as follows:

- (i) the relevant parties shall, during the term of the 2023 Financial Services Framework Agreement, enter into specific written agreements which specify and record the terms and provisions of the specific financial services transactions to be conducted in accordance with the principles and terms of the 2023 Financial Services Framework Agreement in all material aspects;
- (ii) the Company has the right to choose the financial institution, type and amount of financial services as well as timing of transaction based on its business needs and is not obligated to use the financial services provided by YCIH Financial Company; and
- (iii) YCIH Financial Company has undertaken to the Company that, during the term of the 2023 Financial Services Framework Agreement, it will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial services.

Pricing guidelines

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

LETTER FROM THE BOARD

- (iv) With respect to other financial services (including but not limited to assistance in fund receipt and payment and other business approved by the CBIRC), the fees to be charged by YCIH Financial Company shall not be higher than those of the same type of services charged by major domestic commercial banks in the PRC to the Group in the same period.

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

(3) ***Historical amounts and proposed annual caps***

Historical amounts

The historical transaction amounts for the daily balance of deposits placed by the Group with YCIH Financial Company (including interest accrued thereon) and the provision of the bills acceptance and discount services by YCIH Financial Company to the Group for each of the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022 are as follows:

| | Historical amount | | | Nine months ended |
|---|-------------------------|------------------------|--------|-------------------|
| | Year ended December 31, | | | September 30, |
| | 2019 | 2020 | 2021 | 2022 |
| | (RMB million) | | | |
| Deposit services – maximum daily balance (including interest accrued thereon) | 262.00 | 188.00 ^{Note} | 133.00 | 99.26 |
| Bills acceptance and discount services | 22.75 | 20.00 | 0.00 | 19.84 |

Note: The Company and YCIH Financial Company entered into the 2020 Financial Services Framework Agreement on March 27, 2020 for the renewal of the 2019 Financial Services Framework Agreement. The 2020 Financial Services Framework Agreement became effective from June 29, 2020. The maximum daily deposit balance (including interest accrued thereon) during the period from January 1, 2020 to June 29, 2020 (i.e. the validity period of the 2019 Financial Services Framework Agreement) was RMB188.00 million. In addition, the maximum daily deposit balance (including interest accrued thereon) during the period from June 30, 2020 to December 31, 2020 (i.e. the validity period of the 2020 Financial Services Framework Agreement) was RMB131.00 million.

LETTER FROM THE BOARD

revenue of the Company amounted to approximately RMB2,102.53 million and RMB1,234.72 million respectively, representing year-on-year decreases of approximately 47.5% and 19.9% as compared with 2020 and 2021 respectively), which in turn led to a decrease of the Group's demand for the deposit services during the aforesaid periods;

- (ii) the settlement of funds between the Group and downstream enterprises in the supply chain has shown a trend of diversification beyond cash settlement (such as settlement of accounts receivable by bank bills). Specifically, for the year ended December 31, 2021 and for the nine months ended September 30, 2022, the Company's bill settlement amounts were approximately RMB752.17 million and RMB797.95 million respectively, representing year-on-year increases of approximately 18.3% and 32.3% as compared with 2020 and 2021 respectively, resulting in a corresponding decrease in the Company's cash inflow during the aforesaid periods and therefore a corresponding decrease in the demand for the deposit services; and
- (iii) taking into account a significant increase of the estimated sales amounts of the Group's concrete-related products starting from the financial year of 2023 (for example, in terms of the transactions with YCIH Group, the Group estimates that on the basis of 2021 annual overall transaction amount of RMB1,294.00 million, for the three years ending December 31, 2025, the sales amounts of concrete-related products will increase by approximately 93.0%, 109.7% and 128.3% respectively to approximately RMB2,497.00 million, RMB2,714.00 million and RMB2,954.00 million respectively. For details, please refer to the sub-section headed "Continuing connected transactions in relation to the 2023 Products Sales Framework Agreement" of this circular) and an expected growth in revenue and cash inflow brought by such increase, the Group is in the view that there will be a corresponding increase of its demand for the deposit services.

Bills acceptance and discount services

In arriving at the proposed annual caps for the provision of the bills acceptance and discount services by YCIH Financial Company to the Group under the 2023 Financial Services Framework Agreement for the three years ending December 31, 2023, 2024 and 2025, the Directors considered the followings:

- (i) the historical transaction amounts for the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022 amounted to RMB22.75 million, RMB20.00 million, RMB0.00 million and RMB19.84 million respectively, representing approximately 22.8%, 20.0%, 0.0% and 19.8% respectively of corresponding historical annual caps of RMB100.00 million. The low utilization rate of such historical annual caps was mainly due to: (a) the historical annual caps were determined based largely on optimal scenario such as favourable economic conditions to cater for the Group's potential demands for the bills acceptance and discount services to meet its payment needs for raw

LETTER FROM THE BOARD

materials procurement and transportation costs. However, due to the impact of the COVID-19 epidemic, there was a slowdown in the number and progress of construction projects for which the Group supplied with related products, resulting in a significant decrease of the demand for raw materials procurement, which in turn led to a significant decrease of the Group's demand for the bills acceptance and discount services; and (b) during the past three years, the Group had, to the extent possible, avoided engaging the bills acceptance and discount services provided by YCIH Financial Company in order to minimise the connected transactions with YCIH Group. Taking into account the anticipated decreasing impact of the COVID-19 epidemic and the gradual recovery of the macro economy, the Group estimates that during the three years ending December 31, 2025, there will be a higher utilization rate of annual caps for the bills acceptance and discount services as compared with the three years ended December 31, 2021. In addition, considering the reasons mentioned in sub-sections (ii) to (v) below, the Group believes that the transaction amounts of the bills acceptance and discount services under the 2023 Financial Services Framework Agreement for the three years ending December 31, 2025 may exceed the past significantly;

- (ii) according to YCIH Group's Centralized RM Procurement Policy and its requirements, and considering that centralized procurement on the Centralized Procurement Platform required under the Policy is of benefit to the Group's cost reduction and efficiency and market competitiveness, the Group will purchase the raw materials required during the Group's production process in large quantities from YCIH Group in and after the financial year of 2023. Therefore, the Group expects that the transaction amounts of raw materials procurement for the three years ending December 31, 2025 may exceed the past significantly, amounting to approximately RMB653.57 million, RMB718.93 million and RMB790.82 million respectively (for details, please refer to the sub-section headed "Continuing connected transactions in relation to the 2023 Raw Materials, Products and Services Procurement Framework Agreement" of this circular). Given the convenience of internal payments within YCIH Group, the Group estimates an extensive use of the bills acceptance and discount services provided by YCIH Financial Company in and after the financial year of 2023 to complete such payments of the abovementioned procurement and transportation costs, which will in turn lead to a significant increase in the expected transaction amounts related to the bills acceptance and discount services under the 2023 Financial Services Framework Agreement;
- (iii) the annual average amount of the bills acceptance and discount services utilized by the Group from both YCIH Financial Company and independent third party service providers amounted to approximately RMB300.00 million for the three years ended December 31, 2021;

LETTER FROM THE BOARD

- (iv) in view of the business expansion of the Group and the corresponding increasing demand for the bills acceptance and discount services, the Group intends to achieve faster capital recovery, improve fund utilization rate and shorten turnover of funds through using more bills acceptance and discount services from YCIH Financial Company. Specifically, the Group, based on an expected growth in transaction amounts of raw materials procurement for the three years ending December 31, 2025 referred to in sub-section (ii) above, estimates that the proposed annual caps of RMB400.00 million for the bills acceptance and discount services can support around 3 to 4 capital turnovers of the Group during the annual billing cycle, while the historical annual caps of RMB100.00 million can only support around 2 capital turnovers of the Group during the annual billing cycle; and
- (v) YCIH Financial Company's capability of satisfying the needs of the Group for short-term cash liquidity through development of its business over the years.

(5) *Internal control and corporate governance measures*

The Company has adopted the following measures with respect to the transactions contemplated under the 2023 Financial Services Framework Agreement in order to further safeguard the interests of the Shareholders:

(i) Independent Shareholders' approval

The Independent Shareholders have the right to ensure that the terms of the deposit services and the bills acceptance and discount services under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Appropriate disclosure of the historical and ongoing transactions between the Group and YCIH Financial Company which will continue under the 2023 Financial Services Framework Agreement will be made in a circular so as to enable the Independent Shareholders to make informed decisions. If the Independent Shareholders' approval cannot be obtained, the Group will not continue the transactions under the 2020 Financial Services Framework Agreement after its term expires unless the applicable requirements of Chapter 14A of the Listing Rules are complied with.

(ii) Independent financial system

The Company has established a financial management center, which operates without influence from YCIH Financial Company. The Company has adopted a financial management system to guide and monitor its financial activities. The Group also maintains accounts with external independent banks, and does not share any bank accounts with YCIH Financial Company. YCIH Financial Company cannot control the

LETTER FROM THE BOARD

use of any of the Group's bank accounts. The Company has an independent tax registration and has paid tax independently pursuant to applicable PRC laws and regulations.

(iii) Internal control and risk management measures

- The Company has formulated comprehensive financial and fund management rules and regulations to safeguard against fund risks, strengthen its internal financial management and regulate financing activities. The Company has set up an integrated financial management system on planning, budgeting and assessment. The Board is the responsible body in this respect. The Company will adhere to the principles of financing at the Group level, and will make decisions after taking into account the proper scale, the reasonableness of structure and the balance between costs and risks. In addition, the Company's enterprise management department and financial management center will be responsible for monitoring such ongoing continuing connected transactions under the 2023 Financial Services Framework Agreement and will submit matters to the Board for consideration as appropriate.
- YCIH Financial Company shall notify the Company, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If the Company considers that there is any material adverse change in the financial condition of YCIH Financial Company, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect its financial position.
- The independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions conducted under the 2023 Financial Services Framework Agreement. If a majority of the independent non-executive Directors reasonably consider that it would be in the Company's interests to reduce the level of the financial services with YCIH Financial Company, the Company will take appropriate steps to implement the decision of the independent non-executive Directors. Information on the transactions conducted under the 2023 Financial Services Framework Agreement and the views of the independent non-executive Directors on the transactions conducted under the 2023 Financial Services Framework Agreement will be disclosed in the annual reports of the Company.
- During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and YCIH Financial Company to ensure that the transactions conducted under the 2023

LETTER FROM THE BOARD

Financial Services Framework Agreement have been approved by the Board and conducted in accordance with the pricing policies, the terms of such agreement and the proposed annual caps thereunder.

- The Company will monitor the continuing connected transactions in accordance with the procedures set forth in the Company's connected transaction management system, in particular to ensure that the Company will monitor the Group's daily balances with YCIH Financial Company in a timely manner. The Company's responsible financial person shall check the balances through the relevant IT system(s) on a daily basis, and promptly report to the Company's chief financial officer if such daily balances are close to exceeding, or likely to exceed the proposed annual caps.

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

(6) *Reasons for and benefits of entering into the 2023 Financial Services Framework Agreement*

The Directors are of the view that the transactions under the 2023 Financial Services Framework Agreement are beneficial to the Group for the following reasons:

- (i) YCIH Financial Company is a non-banking financial institution and a subsidiary of YCIH. Through the Company's previous cooperation with YCIH Financial Company, the Company believes that it understands the Company's characteristics, capital structure, business operations, financing needs, cash flow patterns and entire financial management system. YCIH Financial Company provides services to the Group on equal or better commercial terms compared to those offered by major domestic commercial banks in the PRC. In addition, as it is a major clearing and settlement platform of YCIH and its associates, the Company believes that it could reduce costs and maximize efficiency by using the services from YCIH Financial Company;
- (ii) YCIH Financial Company has undertaken to the Company that, during the term of the 2023 Financial Services Framework Agreement, it will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial services; and
- (iii) the Group is not prohibited or restricted in any way to use financial services provided by other commercial banks or independent financial institutions in the open market, and the Company retains discretion to make its selection according

LETTER FROM THE BOARD

to its own business needs as well as the terms and quality of such services. The Group may (but is not obliged to) utilize the financial services provided by YCIH Financial Company so as to deploy and manage its financial resources flexibly and efficiently.

In order to assess the financial standing and the creditability of YCIH Group, to be exact, YCIH Financial Company, and the credit risk involved in using the financial services provided by YCIH Financial Company and the possibility of default by it, the Board has taken the following actions:

- (i) reviewed the financial information of YCIH Financial Company for the past two financial years to ascertain the major financial information of YCIH Financial Company such as the amount of its total assets, and was informed that its total assets, capital adequacy ratio and current ratio had increased on a year-on-year basis;
- (ii) reviewed the documents relating to internal control and risk management systems such as the Measures on Credit Risk Management (《信貸風險管理辦法》), the Credit Business Management System (《信貸業務管理制度》), the Measures on Payment and Settlement Business (《支付結算業務管理辦法》) and the Rules for Payment and Settlement Business (《支付結算業務實施細則》) submitted by YCIH Financial Company to the Company;
- (iii) reviewed the confirmation issued by YCIH Financial Company to the Company that there were no bad debts or breaches of credit obligations and no non-compliance leading to business interruption or administrative penalties; and
- (iv) conducted a media search in relation to YCIH Financial Company with respect to its financial standing and credibility, which produced a search result satisfactory to the Company.

Having considered including but not limited to the above review results, the Company is of the view that the credit risk and default risk involved in using the financial services provided by YCIH Financial Company can be managed and monitored for the following reasons:

- (i) the business operation of YCIH Financial Company is subject to the Administrative Measures on Finance Companies within Group Enterprises (《企業集團財務公司管理辦法》) and other relevant regulations promulgated by the PBOC and the CBIRC, including but not limited to the requirements of capital risk guidelines and the required capital adequacy ratio. In addition, as YCIH Financial Company's major clients are member enterprises of YCIH Group, it is less exposed to risks than some major domestic commercial banks which have a broad and unrestricted customer base, therefore, YCIH Financial Company may provide a better protection to its customers' funds;

LETTER FROM THE BOARD

- (ii) YCIH Financial Company is in a strong financial standing and has implemented strict internal control and risk management measures and formulated a series of systematic credit business management systems and fund settlement risk management systems, and conducts its business strictly in compliance with regulatory requirements and system management requirements. Since its establishment, the overall credit risk profile of YCIH Financial Company is favourable, with no credit overdue or default events, no non-performing assets or non-performing loans, and no non-compliance leading to business interruption or administrative penalties;
- (iii) according to relevant laws and the related regulations issued by the CBIRC and the articles of association of YCIH Financial Company, YCIH (as its controlling shareholder) has undertaken to provide funding to YCIH Financial Company accordingly to satisfy its capital needs in the event that YCIH Financial Company experiences payment difficulties;
- (iv) before entering into any transactions with YCIH Financial Company, the Group has the right to inspect whether it owns a valid relevant financial business operation permit and license. If the relevant licenses are not available or have expired, the Group will not conduct business with it; and
- (v) in accordance with the provisions of the 2023 Financial Services Framework Agreement, (a) YCIH Financial Company shall guarantee the safe operation of funds management information system and ensure that such system has passed the security test of the interface with the online banking of commercial banks, adopted a dedicated line for direct connection with banks and met the security requirements of the CBIRC for financial institutions; (b) YCIH Financial Company will operate in strict compliance with the risk monitoring indicators guidelines for finance companies issued by the CBIRC and ensure that its main regulatory indicators, such as capital adequacy ratio and liquidity ratio, comply with the provisions of relevant laws, regulations and other regulatory legal documents; and (c) in the event of circumstances that may endanger the safety of the Group's deposits and transactions, YCIH Financial Company shall notify the Group in writing within 2 business days after the occurrence of such circumstances and take effective measures to avoid the occurrence or expansion of losses.

The Directors (for the purpose of transactions related to other financial services, including the independent non-executive Directors; and for the purpose of transactions related to the deposit services and the bills acceptance and discount services, excluding the independent non-executive Directors who will express their opinion after considering the advice from VBG Capital) are of the view that the terms of the transactions contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Mr. Jiang Qian, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the 2023 Financial Services Framework Agreement. Save as disclosed above, no other Directors has a material interest in the transactions contemplated under the 2023 Financial Services Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2023 Financial Services Framework Agreement.

(7) *Listing Rules implications*

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

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

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

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

In respect of other financial services (including but not limited to assistance in fund receipt and payment and other business approved by the CBIRC), the highest applicable percentage ratio exceeds 0.1% but is less than 5% on an annual basis, such transactions are therefore subject to the reporting, announcement and annual review requirements, but are exempt from the Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(8) *Information on the parties*

Information on the Company and the Group

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

LETTER FROM THE BOARD

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

Information on YCIH Financial Company

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

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

4. Continuing connected transactions in relation to the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement

Continuing connected transactions in relation to the 2023 Products Sales Framework Agreement

(1) Background

References are made to (i) the announcement and the circular of the Company dated March 27, 2020 and May 14, 2020 respectively, in relation to, among others, the Existing Continuing Connected Transactions under the 2020 Products Sales Framework Agreement; and (ii) the announcement and the circular of the Company dated October 27, 2020 and November 12, 2020 respectively, in relation to, among others, the revision of the 2020 annual cap for the continuing connected transactions under the 2020 Products Sales Framework Agreement.

Given that the term of the 2020 Products Sales Framework Agreement is due to expire on December 31, 2022, the Company and YCIH entered into the 2023 Products Sales Framework Agreement on October 31, 2022 for the renewal of the 2020 Products Sales Framework Agreement.

(2) 2023 Products Sales Framework Agreement

Parties

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

LETTER FROM THE BOARD

Principal terms

On October 31, 2022, the Company entered into the 2023 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 2023 Products Sales Framework Agreement shall become effective from January 1, 2023 upon the Company obtaining the approval of the Independent Shareholders at the EGM, and shall remain valid until December 31, 2025. Subject to compliance with the Listing Rules, the 2023 Products Sales Framework Agreement may be renewed as agreed by both parties.

During the term of the 2023 Products Sales Framework Agreement, the relevant parties will enter into specific written agreements which specify and record the terms and provisions of the specific sales transactions to be conducted in accordance with the principles and terms of the 2023 Products Sales Framework Agreement in all material aspects.

Pricing guidelines

Under the 2023 Products Sales Framework Agreement, the price of the products shall be determined as follows:

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

LETTER FROM THE BOARD

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

- (i) at the beginning of each month, the cost control center of the Company issues Guidance Price List for Sales Price of Concrete (《混凝土銷售價格指導價表單》) according to Price Information for Construction and Engineering Material and Equipment of Yunnan Province (Periodical) (《雲南省建設工程材料及設備價格信息》(期刊)) and Price Guidance Information for Construction and Engineering Material and Equipment of Kunming (《昆明市建設工程材料及設備價格指導信息》), and the marketing management center fills in the sales guidance price for the month in conjunction with the actual market situation, and releases it to each operating entity after approval by the responsible leader and general manager;
- (ii) when negotiating each transaction agreement to be entered into under the 2023 Products Sales Framework Agreement, pricing related documents such as quotation sheets, if required by customers, shall be approved in the following manners: (a) the operating entity will submit the basic information to cost control center, determine the price according to the market situation and fill evaluation record of quotation sheets; and (b) the evaluation record of quotation sheets will be reviewed by the marketing management center and cost control center and then in turn approved by deputy general manager, general manager and chairman in charge of operation;
- (iii) each agreement to be entered into under the 2023 Products Sales Framework Agreement shall be assessed and reviewed by the general manager and approved by the chairman of the Company to ensure that the sales prices and other principal terms are in accordance with normal commercial terms as well as the Company's pricing policies and guidelines; and
- (iv) the Company's enterprise management department shall be responsible for monitoring the continuing connected transactions conducted under the 2023 Products Sales Framework Agreement and shall collect information of actual transactions on a monthly basis to review and assess whether the transactions are conducted in accordance with the terms of their respective agreements and ensure that the actual transaction amounts do not exceed the proposed annual caps.

LETTER FROM THE BOARD

(3) *Historical amounts and proposed annual caps*

Historical amounts

The historical transaction amounts for the sales of products to YCIH and its associates for each of the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022 are as follows:

| | Historical amount | | | Nine months ended September 30, 2022 |
|---|-------------------------|----------|----------|---|
| | Year ended December 31, | | | |
| | 2019 | 2020 | 2021 | |
| Sales of products to YCIH and its associates | 2,522.00 | 3,038.00 | 1,294.00 | 819.90 |

(RMB million)

Proposed annual caps

The proposed annual caps for the sales of products to YCIH and its associates for each of the three years ending December 31, 2023, 2024 and 2025 are as follows:

| | Proposed annual cap | | |
|---|--------------------------|----------|----------|
| | Year ending December 31, | | |
| | 2023 | 2024 | 2025 |
| Sales of products to YCIH and its associates | 2,497.00 | 2,714.00 | 2,954.00 |

(RMB million)

(4) *Basis of the proposed annual caps*

In arriving at the proposed annual caps for the sales of products to YCIH and its associates under the 2023 Products Sales Framework Agreement for the three years ending December 31, 2023, 2024 and 2025, the Directors considered the following:

- (i) the historical transaction amounts for the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022; and
- (ii) the expected growth in the sales of products to YCIH and its associates for the three years ending December 31, 2023, 2024 and 2025, taking into account:
 1. (a) due to the impact of the COVID-19 epidemic in recent years, the proportion of certain housing market projects of YCIH and its associates in 2022 is lower than what it was in previous years in terms of concrete

LETTER FROM THE BOARD

supply, together with the delays of construction in certain large projects to which the Group supplies concrete, therefore, more relevant transactions will be completed in 2023 than originally estimated; (b) the expected increase of sales to YCIH and its associates for the year ending December 31, 2023 (estimated on the transaction amounts for outstanding contracts and contracts to be signed, including an expected increase in supply of concrete to YCIH and its associates for their large infrastructure projects which estimated to be commenced in 2023 and the Group's supply of concrete for certain housing projects of YCIH and its associates); and (c) an estimated further increase in the sales to YCIH and its associates for the two years ending December 31, 2024 and 2025, as the Group being among the few suppliers that has the capabilities to meet the massive needs of YCIH and its associates for the construction of large infrastructure projects estimated to commence in Yunnan Province in the coming years;

2. focusing on the major business, i.e. the concrete business, the Company intends to promote the research and development of new products and technologies and explore relevant new business in the industrial chain of the major business of the Company when appropriate, and to promote the Company's upgrading and transformation to green, low-carbon and intelligent manufacturing at the same time. The Company has established the division of UHPC and commercial mortars to promote the research and development, production and application of UHPC, whereby new profit growth points is estimated to be formed, and to accelerate the growth of commercial mortar sales. Therefore, the Company expects a continuing increase in sales of product to YCIH and its associates for the three years ending December 31, 2023, 2024 and 2025; and
3. according to the Company's development plan and the tracking condition of current projects, the expansion of the Company's relevant projects in relation to highway construction, production base construction, and other business in the concrete supply chain is estimated to continue. Therefore, the Company estimates that the sales volume of aggregate and admixtures to YCIH and its associates will continue to increase for the three years ending December 31, 2023, 2024 and 2025.

LETTER FROM THE BOARD

(5) *Reasons for and benefits of entering into the 2023 Products Sales Framework Agreement*

The Directors are of the view that the transactions under the 2023 Products Sales Framework Agreement are beneficial to the Group for the following reasons:

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

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from VBG Capital) are of the view that the terms of the transactions contemplated under the 2023 Products Sales Framework Agreement (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Mr. Jiang Qian, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the 2023 Products Sales Framework Agreement. Save as disclosed above, no other Directors has a material interest in the transactions contemplated under the 2023 Products Sales Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2023 Products Sales Framework Agreement.

LETTER FROM THE BOARD

(6) *No undue reliance on YCIH Group*

Notwithstanding that YCIH Group contributed to a significant portion of the Group's revenue for the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022, the Directors consider that the Company does not have an undue operational reliance on YCIH Group for the following reasons:

- (i) The Company's cooperative relationship with YCIH Group is mutual and complementary.

While the Group's sales to YCIH Group contributed a high percentage of the Group's sales volume for the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022, the purchase of ready-mixed concrete by YCIH Group from the Group also accounted for a high percentage of the total purchase volume of concrete of YCIH Group. For the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022, the purchase volume of ready-mixed concrete by YCIH Group from the Group accounted for approximately 30.60%, 37.33%, 21.84% and 29.45%, respectively, of the total purchase volume of concrete of YCIH Group. The abovementioned percentage remained stable at around 30% with a downward declining trend, and this trend was generally consistent with the decreasing trend of percentage of the Group's sales of ready-mixed concrete to YCIH Group, which had been achieved through the Group's concentrated efforts to develop its independent customer base.

Besides, transactions between the Group and YCIH Group are market-oriented and on normal commercial rules, and such supply and demand relationship is conducive to the complementary enhancement of market competitiveness of both parties. As such, YCIH Group is dependent on the Group for the concrete supply. Such dependence is primarily attributable to (i) the Group's leading market position in Yunnan Province; (ii) the Group's wide dispersal of concrete batching plants covering each autonomous prefecture and city in Yunnan Province, where YCIH Group carries out many of its infrastructure and construction business operations; (iii) the Group's strong production and transportation capabilities, which enables it to meet the demand of large amount of high-quality concrete for use in various infrastructure and building construction projects; and (iv) the Group's research capability which enables it to develop different types of concrete to satisfy the specific requirements of the various projects carried out by YCIH Group.

- (ii) The Group possesses the necessary skills, technologies and marketing network to explore new market opportunities.

The Group's ability to develop and produce concrete in different strength grades and/or of different performances enables itself to satisfy different requirements of independent third party customers and further expand its customer bases and

LETTER FROM THE BOARD

extend its cooperation with them. Furthermore, the Group has adopted the following methods to further expand its customer base and extend its ongoing cooperation with independent third party customers: (i) the Group places great emphasis on developing new independent customers internally and has adopted special incentives, such as bonuses, to promote the enthusiasm and initiative of its marketing team; (ii) the Group keeps track of the business development of large-scale construction corporations, especially those of its independent customers, so as to obtain timely information on potential construction projects; (iii) the Group shares information and resources of business opportunities among its sales teams in different locations so that they can follow up with local independent customers; (iv) the Group's marketing team maintains close relationships with its existing independent customers so as to obtain first-hand information on any subsequent projects and further extend the Group's cooperation with them; and (v) the Group's marketing team continues to establish contact with potential independent customers in the market to expand its customer base.

The Group will continue to explore business opportunities in markets outside Yunnan Province and attempt to enhance its presence in new markets. In the meantime, the Group plans to further enhance its skills and technologies in concrete production and expand its customer base, especially among state-owned construction companies at the state and provincial levels, so as to further reduce the proportion of revenue attributable to the sales to YCIH Group.

In addition, the Group will continue to implement the following measures to alleviate customer concentration risks and enhance its market development capabilities in relation to independent customers:

- (a) the Company's marketing management center, enterprise management department and other departments will regularly provide in-depth training and guidance to business teams of its branches and subsidiaries to improve communication and experience sharing among the Group, and arrange for special trainings to marketing teams by the Group's key personnel and leaders with extensive marketing experience;
- (b) the Group will optimize the management structure of its branches and subsidiaries to form a streamlined and efficient management model with a flattened hierarchical structure, so as to improve their responsiveness to customer needs, and their quality and efficiency of customer service;
- (c) the Group will change the current regional business model to allow the business teams to expand their business scope and better and more closely serve customers, expand the Group's market coverage, and increase the proportion of projects with independent customers; and

LETTER FROM THE BOARD

- (d) the Group will adjust the remuneration criteria to increase the remuneration incentives for external market development by business teams.

- (iii) The Group has demonstrated its ability to develop independent customers during the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022.

There are a large number of market participants other than YCIH Group with huge demand for ready-mixed concrete, so the Group believes there are opportunities for it to identify independent customers and expand its customer base.

During the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022, the Group demonstrated its ability to attract independent customers. Although there is a decrease in the total revenue generated from such independent customers since 2019, which is attributable to the lower demand in the market resulting from the macroeconomic downturn caused by COVID-19, the decrease has been slower than the downward trend in the Group's total revenue, and the contribution of independent customers to the Group's revenue was basically maintained at around 30%. Since 2017, the Company has established sustainable business relationships with customers associated with large state-owned construction companies or their subsidiaries with infrastructure construction projects in Yunnan Province, such as Kunming Railway Construction Company of China Railway No. 8 Engineering Group Co., Ltd. (中鐵八局集團昆明鐵路建設有限公司), a subsidiary of China Railway Group Limited (中國中鐵股份有限公司) and Yunnan West Construction Co., Ltd. (雲南中建西部建設有限公司), a subsidiary of China State Construction Engineering Corporation (中國建築集團有限公司), and regional construction companies which focus on regional construction project, such as Guizhou Construction Engineering Group (貴州建工集團) and a member of Shanghai Construction Engineering Group (上海建工集團). These independent customers have stringent requirements on the quality, stability of supply and technical specifications regarding ready-mixed concrete supplies. The Group, leveraging its strong capabilities in production and research and development, is able to meet the requirements of such customers and ensure the supply of concrete to various large scale construction projects for them.

Set out below are details of the Group's sales to independent customers (i.e. customers other than YCIH Group and other related party customers) during the following periods indicated:

LETTER FROM THE BOARD

| | Year ended December 31, | | | Nine months ended September 30, |
|--|-------------------------|---------|---------|---------------------------------------|
| | 2019 | 2020 | 2021 | 2022 |
| Number of independent customers ^{Note} | 141 | 526 | 519 | 438 |
| Revenue derived from independent customers (in RMB million) | 1,085.4 | 954.3 | 808.3 | 417.7 |
| The Group's total revenue (in RMB million) | 3,608.1 | 4,004.0 | 2,102.5 | 1,234.7 |
| Contribution to the Group's revenue | 30.1% | 23.8% | 38.4% | 33.8% |

Note: Independent customers refer to the customers other than YCIH Group and other related party customers. In addition to the sale of concrete to YCIH Group, the Group also sold concrete to other related party customers which included the subsidiaries of KMEIC.

- (iv) The Group is capable of maintaining its revenue in the future in light of certain level of reliance on sale of products to YCIH Group.

The Group expects to continue to benefit from the growth and development of the infrastructure and real estate industries in Yunnan Province. There is considerable potential for further growth and development in the infrastructure and real estate industries in Yunnan Province, especially in the construction of new railways, roads and highways. As compared to other developed provinces in Eastern or Southern China (such as the provinces of Shandong, Jiangsu, Zhejiang and Guangdong), the densities (calculated as the total length of the respective railway, road and highways over the total area of the respective province) of railways, roads and highways in Yunnan Province are relatively low. According to the 13th Five-Year Development Plan for Highway and Waterway Postal Transportation in Yunnan Province (《雲南省公路水路郵政交通運輸「十三五」發展規劃》), the total operational mileage and density of highway are expected to reach 14,500 km and 380 km/10,000 sq. km, respectively, by 2030.

During the “14th Five-Year Plan” period, Yunnan Province will improve its comprehensive transport networks and transport channels in different provinces, promote major breakthrough in the construction of the China-Myanmar International Transport Channel, make full access to the China-Vietnamese and the China-Laos-Thailand International Transport Channel; build Kunming International Aviation Hub, move faster to construct international communication hub toward South Asia and Southeast Asia, and promote the construction of the pilot demonstration zone of digital economic industry to South Asia and Southeast Asia. With these development plans in place, the Group believes Yunnan Province presents huge potential for improving its

LETTER FROM THE BOARD

comprehensive transport networks and transport channels with other provinces, in turn generating huge demand for ready-mixed concrete. As a market leader in the ready-mixed concrete industry in Yunnan Province, the Group has benefited from and is expected to continue benefiting from this huge demand which it will capitalize on to expand its customer base.

The Action Plan of Accelerating the Establishment of a Sound Green and Low Carbon Recycling Development Economy System in Yunnan Province (《雲南省加快建立健全綠色低碳循環發展經濟體系行動計劃》) published by People's Government of Yunnan Province has specified that Yunnan Province will deepen the cooperation between government and enterprises, guide financial institutions to support the development of green and environmental enterprises, promote eligible financial institutions to issue green financial bonds, encourage eligible enterprises to issue green bonds, and continuously enhance the capital market to serve the province's green industry development capacity and level. Directories of Projects Supported by Green Bonds (2021) (《綠色債券支持項目目錄(2021年版)》) jointly published by PBOC, National Development and Reform Commission of the People's Republic of China and China Securities Regulatory Commission clarified that green bonds could be used exclusively to support the eligible projects like green construction, modular construction, sustainable construction. Focusing on the concept of "green, low carbon, environmental protection and ecology", the Group is promoting new products (such as UHPC) and carrying out new businesses (such as resource recycling of construction waste, introduction of electric concrete mixers and loaders, construction of distributed photovoltaic power system and integrated energy stations for heavy duty trucks' battery recharging, replacing and storage), with all of these measures being fully in compliance with the above policies. Accordingly, the Group believes that the Group will benefit from the green building sector encouraged by the above policies, which in turn further diversifying and expanding the Group's customer base.

In addition, the use of ready-mixed concrete is in line with the promotion of green construction and reduction of environmental pollution. Compared with field concrete, ready-mixed concrete is of a higher quality and a better work efficiency and is more stable and controllable, with less environmental pollution. As such, ready-mixed concrete is one of the environmentally-friendly construction materials promoted by various governmental favorable policies, such as the Opinion in Relation to Expediting the Development of Energy-Saving and Environmental Protection Industry (《關於加快發展節能環保產業的意見》) promulgated by the State Council. The Group believes these favorable policies will accelerate the development of the ready-mixed concrete market by encouraging more construction companies to use ready-mixed concrete in their construction projects and as a result, the Group may further diversify and expand its customer base.

LETTER FROM THE BOARD

Continuing connected transactions in relation to the 2023 Raw Materials, Products and Services Procurement Framework Agreement

(1) 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 Existing Continuing Connected Transactions under the 2020 Raw Materials, Products and Services Procurement Framework Agreement.

Given that the term of the 2020 Raw Materials, Products and Services Procurement Framework Agreement is due to expire on December 31, 2022, the Company and YCIH entered into the 2023 Raw Materials, Products and Services Procurement Framework Agreement on October 31, 2022 for the renewal of the 2020 Raw Materials, Products and Services Procurement Framework Agreement.

(2) 2023 Raw Materials, Products and Services Procurement Framework Agreement

Parties

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

Principal terms

On October 31, 2022, the Company entered into the 2023 Raw Materials, Products and Services Procurement Framework Agreement with YCIH, pursuant to which the Group agreed to procure raw materials, products and services from YCIH and its associates. The raw materials, products and services to be procured thereunder include, without limitation, the following:

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

The 2023 Raw Materials, Products and Services Procurement Framework Agreement shall become effective from January 1, 2023 upon the Company obtaining the approval of the Independent Shareholders at the EGM, and shall remain valid until December 31, 2025. Subject to compliance with the Listing Rules, the 2023 Raw Materials, Products and Services Procurement Framework Agreement may be renewed as agreed by both parties.

LETTER FROM THE BOARD

During the term of the 2023 Raw Materials, Products and Services Procurement Framework Agreement, the relevant parties will enter into specific written agreements which specify and record the terms and provisions of the specific procurement transactions to be conducted in accordance with the principles and terms of the 2023 Raw Materials, Products and Services Procurement Framework Agreement in all material aspects.

Pricing guidelines

Under the 2023 Raw Materials, Products and Services Procurement Framework Agreement, the prices shall be determined as follows:

With respect to raw materials:

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

With respect to products:

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

LETTER FROM THE BOARD

With respect to services:

- (i) the price of the construction services shall be determined with reference to the pricing guidelines and methods as set out in the Pricing Standards for Construction and Engineering of Yunnan Province (2020 Edition) (《雲南省建設工程造價計價標準(2020版)》);
- (ii) the price of the property management services shall be determined with reference to the prevailing market rates and conditions for the same type of services provided in the neighboring areas, taking into account factors such as the geographical location, the standard and quality of services and the condition of the property; and
- (iii) the price of the consultancy services shall be determined with reference to the prevailing market rates at which the same type of services is provided to the Group by independent third party service providers on normal commercial terms.

Besides the methods and procedures set out above, the Company will also monitor the continuing connected transactions in accordance with the procedures set forth in the Company's connected transaction management rules. The Company's enterprise management department shall be responsible for monitoring the continuing connected transactions conducted under the 2023 Raw Materials, Products and Services Procurement Framework Agreement and shall collect information of actual transactions on a quarterly basis to review and assess whether the transactions are conducted in accordance with the terms of their respective agreements and ensure that the actual transaction amounts do not exceed the proposed annual caps. In addition, the Group will obtain quotes from at least three independent third party suppliers in the public tendering, competitive negotiation or price inquiry process carried out for the purpose of procurement of the relevant raw materials and products.

LETTER FROM THE BOARD

(3) *Historical Amounts and Proposed Annual Caps*

Historical amounts

The historical transaction amounts for the procurement of raw materials, products and services from YCIH and its associates for each of the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022 are as follows:

| | Historical amount | | | Nine months ended September 30, 2022 |
|--|-------------------------|--------|-------|---|
| | Year ended December 31, | | | |
| | 2019 | 2020 | 2021 | |
| | <i>(RMB million)</i> | | | |
| Procurement of raw materials, products and services from YCIH and its associates | 166.00 | 155.00 | 80.00 | 36.55 |

Proposed annual caps

The proposed annual caps for the procurement of raw materials, products and services from YCIH and its associates for each of the three years ending December 31, 2023, 2024 and 2025 are as follows:

| | Proposed annual cap | | |
|--|--------------------------|--------|--------|
| | Year ending December 31, | | |
| | 2023 | 2024 | 2025 |
| | <i>(RMB million)</i> | | |
| Procurement of raw materials, products and services from YCIH and its associates | 853.00 | 916.00 | 936.00 |

(4) *Basis of the proposed annual caps*

In arriving at the proposed annual caps for the procurement of raw materials, products and services from YCIH and its associates under the 2023 Raw Materials, Products and Services Procurement Framework Agreement for the three years ending December 31, 2023, 2024 and 2025, the Directors considered the following factors:

- (i) the historical transaction amounts for the three years ended December 31, 2019, 2020 and 2021 and for the nine months ended September 30, 2022. Notwithstanding the significant difference between such historical transaction amounts and the aforementioned proposed annual caps for the three years ending December 31, 2025, considering the reasons mentioned in sub-sections (ii) and

LETTER FROM THE BOARD

(iii) below, the Group believes that the transaction amounts under the 2023 Raw Materials, Products and Services Procurement Framework Agreement for the three years ending December 31, 2023, 2024 and 2025 may exceed the past significantly;

- (ii) with respect to the raw materials procurement, considering that the raw materials for projects invested, constructed and built by YCIH Group which fulfill certain requirements under the Centralized RM Procurement Policy shall be procured based on the Policy and its requirements with priority at the prices not higher than market prices, and the convenience in purchasing from YCIH Group via the Centralized Procurement Platform which serves as the state-owned platform for the procurement of large-scale projects as stipulated by the Policy, the Group will purchase a large quantity of the raw materials, such as cement and aggregates, required during the Group's production process from YCIH Group in and after the financial year of 2023. Therefore, the Group estimates that the total amounts of raw materials procurement transactions between the Group and YCIH and its associates for the three years ending December 31, 2025 will be significantly increased to RMB653.57 million, RMB718.93 million and RMB790.82 million respectively as compared with 2021, each representing approximately 80% of the proposed annual caps in respective years and resulting in a substantial increase of the proposed annual caps. To be specific:
- (a) according to the analysis of the Group's contracts entered into and the tracking condition of construction projects as of the Latest Practicable Date, the construction of certain large projects, such as Yongren-Jinshuihe Highway Project and Eshan-Shiping-Honghe Highway Project, for which the Group supplied concrete, would be delayed due to the impact of the COVID-19 epidemic. As of the Latest Practicable Date, the sales volume of concrete of contracts entered into which will be carried forward to the financial year of 2023 is approximately 2.07 million cubic metres with the corresponding raw materials procurement transaction amounting to approximately RMB120.89 million; and
- (b) according to the Group's analysis of the expected new contracts as of the Latest Practicable Date, with the entering into of contracts and commencement of construction projects, including the Eshan-Shiping-Honghe Highway, Lijianggucheng-Ninglang Highway and Xuanwei-Fuyuan Highway, the sales volume of concrete under new contracts is estimated to be approximately 4,505,400 cubic metres as of the Latest Practicable Date with the corresponding raw materials procurement transaction amounting to approximately RMB532.68 million.

LETTER FROM THE BOARD

Details of projects mentioned in the sub-section (ii) above are set out in the following table:

| Type of project | Sales volume of concrete (in 10 thousand cubic metres) | Corresponding raw materials procurement amount | | | Total amount |
|---|--|---|----------------------|-----------------------|------------------|
| | | Cement amount | Aggregates amount | Diesel fuel amount | |
| Contracts entered into as of the | | | | | |
| Latest Practicable Date | 207.00 | 11,302.20 | 0.00 | 787.00 | 12,089.20 |
| Expected new contracts as of the Latest Practicable Date | | | | | |
| Expected new contracts of housing construction projects | 185.53 | 0.00 | 0.00 | 705.00 | 705.00 |
| Eshan-Shiping-Honghe Highway Project Department | 24.21 | 1,936.80 | 0.00 | 92.00 | 2,028.80 |
| Lijianggucheng-Ninglang Highway | 64.74 | 5,438.16 | 7,807.64 | 246.00 | 13,491.80 |
| Xuanwei-Fuyuan Highway | 81.05 | 6,484.00 | 8,023.95 | 310.00 | 14,817.95 |
| Dehong section of Ruili-Menglian Highway | 5.79 | 671.64 | 729.54 | 22.00 | 1,423.18 |
| Jinping-Jinshuihe Highway | 8.16 | 734.40 | 954.72 | 30.00 | 1,719.12 |
| Nanjian-Yunxian Highway | 64.74 | 6,215.04 | 8,739.90 | 246.00 | 15,200.94 |
| Ludian-Qiaojia Highway | 16.32 | 1,468.80 | 2,350.08 | 62.00 | 3,880.88 |
| Total | 657.54 | 34,251.04 | 28,605.83 | 2,500.00 | 65,356.87 |

- (iii) with respect to the services procurement, according to the Group's business development requirements, for the three years ending December 31, 2025, the Group intends to add new construction projects of green and low-carbon building materials parks and highway projects batching plants in regions including Zhaotong, Dehong, Baoshan, Honghe and Wenshan, and carry out the reconstruction and extension of the original batching plants to continuously optimize and improve the related facilities of existing batching plants. It is estimated that YCIH Group may participate in the bidding of relevant projects and therefore, the procurement of related construction services with YCIH Group will expect to increase accordingly. The Group estimates that for the three years ending December 31, 2025, the transaction amounts of such construction services between the Group and YCIH Group will be significantly increased to approximately RMB164.00 million, RMB162.00 million and RMB110.00 million respectively as compared with 2021.

LETTER FROM THE BOARD

(5) *Reasons for and benefits of entering into the 2023 Raw Materials, Products and Services Procurement Framework Agreement*

The Directors are of the view that the transactions under the 2023 Raw Materials, Products and Services Procurement Framework Agreement are beneficial to the Group for the following reasons:

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

The Directors (excluding the independent non-executive Directors who will express their opinion after considering the advice from VBG Capital) are of the view that the terms of the transactions contemplated under the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

LETTER FROM THE BOARD

Mr. Jiang Qian, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the 2023 Raw Materials, Products and Services Procurement Framework Agreement. Save as disclosed above, no other Directors has a material interest in the transactions contemplated under the 2023 Raw Materials, Products and Services Procurement Framework Agreement or is required to abstain from voting on the Board resolution in relation to the 2023 Raw Materials, Products and Services Procurement Framework Agreement.

(6) *Listing Rules implications*

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

In respect of the transactions under each of the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement, the highest applicable percentage ratio exceeds 5% on an annual basis. Such transactions are therefore subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

(7) *Information on the parties*

Information on the Company and the Group

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

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

Information on YCIH

YCIH, a controlling shareholder of the Company, is a limited liability company established in the PRC in 2016. It is a wholly state-owned entity which, as at the Latest Practicable Date, was 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.

LETTER FROM THE BOARD

Special Resolution

5. Adjustments of business scope and amendments to the Articles of Association

Reference is made to the announcement of the Company dated October 31, 2022 in relation to the proposed adjustments of business scope and proposed amendments to the Articles of Association.

Combined with the relevant requirements of Zhaotong Sub-bureau of Yunnan Administration for Market Regulation* (雲南省昭通市市場監督管理局), the Board proposed to (1) adjust the business scope of the Company; and (2) amend the Articles of Association to meet the needs of business development of the Company.

(1) Proposed adjustments of business scope

Reference are made to the announcement and circular of the Company dated April 19, 2022 and April 26, 2022, respectively, in relation to (1) the proposed adjustments of business scope; and (2) the proposed amendments to the Articles of Association. In the actual process of the Company's registration of change of business license, Zhaotong Sub-bureau of Yunnan Administration for Market Regulation* made adjustments to the Company's business scope, which are as follows:

- (i) adjusting the listing order of general projects and permitted projects, with permitted projects being listed before general projects; and
- (ii) adjusting “recycled resources recycling (except for productive scrap metals)” in the general projects to permitted projects.

Based on the adjusted business scope as approved by Zhaotong Sub-bureau of Yunnan Administration for Market Regulation*, in order to implement the national “Dual Carbon” strategy and respond to the development plan of “Green Construction and Investment” created by YCIH, a controlling shareholder of the Company, combined with the working requirements to fully integrate the green and sustainable development concept with the goal of “Carbon Peaking and Carbon Neutrality” into the overall production, operation, management and development, the Company intends to build battery swapping stations and develop photovoltaic power generation business in Jingkai green production base, Zhaotong green new material production base and the planned new green and low-carbon building materials industrial parks in relevant prefectures and cities in the future. According to the “Notice of the Energy Administration of Yunnan Province on the Amendments of Certain Provisions of the ‘Interim Measures for the Construction, Operation and Administration of Electric Vehicle Charging Infrastructure in Yunnan Province’* (《雲南省能源局關於修訂〈雲南省電動汽車充電基礎設施建設運營管理暫行辦法〉部分條款的通知》”, the Company intends to add relevant items to its business scope, which mainly include the followings:

- (i) Permitted projects: power generation, transmission and supply (distribution) business; power supply business; and

LETTER FROM THE BOARD

- (ii) General projects: operation of electric vehicle charging infrastructure; sales of batteries; energy-saving management services; contract energy management.

The proposed adjustments of business scope are conditional upon the following conditions being satisfied:

- (i) a special resolution is passed by the Shareholders at the EGM to approve the adjustments of business scope; and
- (ii) the Company obtains approval from Zhaotong Sub-bureau of Yunnan Administration for Market Regulation* for the adjustments of business scope.

After the passing of the relevant special resolution at the EGM, the Company will apply to Zhaotong Sub-bureau of Yunnan Administration for Market Regulation* for the registration of the change and filing procedures. The proposed adjustments of business scope will be effective from the date of issuance of the business license with adjusted business scope by Zhaotong Sub-bureau of Yunnan Administration for Market Regulation*.

(2) *Proposed amendments to the Articles of Association*

In view of the proposed adjustments of business scope of the Company, the Board proposes to amend the relevant articles of the Articles of Association[#] as follows:

LETTER FROM THE BOARD

| No. | Original Articles | Amended Articles |
|-----|--|--|
| 1. | <p>Article 14 <u>General projects: production of cement products; production of non-metallic mineral products; production of lime and gypsum; production of concrete structural components; production of lightweight building materials; production of construction blocks; production of new building materials (excluding dangerous chemicals); recycled resources processing; sales of cement products; sales of non-metallic minerals and products; sales of building materials; sales of concrete structural components; sales of synthetic materials; sales of lightweight building materials; sales of construction blocks; sales of recycled resources; technology services, technology development, technology consultation, technology exchange, technology transfer and technology promotion; sales of machinery and equipment; machinery and equipment leasing; non-residential real estate leasing; land use rights leasing; construction stone processing; domestic trade agency; research and development of new material products and new technologies; production of specialized chemical products (excluding dangerous chemicals); sales of specialized chemical products (excluding dangerous chemicals); production of chemical products (excluding permitted chemical products); sales of chemical products (excluding permitted chemical products); solid waste management; recycled resources recycling (except for productive scrap metals); research and development of recycling technology of construction waste; software development (except for special projects subject to approval according to laws, with business license to carry out business activities independently according to laws).</u></p> <p><u>Permitted projects: intelligent building system design; road cargo transportation (excluding dangerous goods); construction of professional operations (for projects that require approval by laws, they may only be commenced after obtaining approval from the relevant authorities and the specific business projects shall be subject to approval documents or permits from the relevant authorities).</u></p> <p>The Company may, based on any changes in domestic and international markets, business development and its own capability, adjust its scope of business, make amendments to these Articles of Association according to the relevant procedures and handle relevant formalities of industry and commerce administration registration for such an adjustment with the industry and commerce administration authorities according to relevant provisions.</p> | <p>Article 14 <u>Permitted projects: recycled resources recycling (except for productive scrap metals); intelligent building system design; road cargo transportation (excluding dangerous goods); construction of professional operations; power generation, transmission and supply (distribution) business; power supply business (for projects that require approval by laws, they may only be commenced after obtaining approval from the relevant authorities and the specific business projects shall be subject to approval documents or permits from the relevant authorities).</u></p> <p><u>General projects: production of cement products; production of non-metallic mineral products; production of lime and gypsum; production of concrete structural components; production of lightweight building materials; production of construction blocks; production of new building materials (excluding dangerous chemicals); recycled resources processing; sales of cement products; sales of non-metallic minerals and products; sales of building materials; sales of concrete structural components; sales of synthetic materials; sales of lightweight building materials; sales of construction blocks; sales of recycled resources; technology services, technology development, technology consultation, technology exchange, technology transfer and technology promotion; sales of machinery and equipment; machinery and equipment leasing; non-residential real estate leasing; land use rights leasing; construction stone processing; domestic trade agency; research and development of new material products and new technologies; production of specialized chemical products (excluding dangerous chemicals); sales of specialized chemical products (excluding dangerous chemicals); production of chemical products (excluding permitted chemical products); sales of chemical products (excluding permitted chemical products); solid waste management; research and development of recycling technology of construction waste; software development; operation of electric vehicle charging infrastructure; sales of batteries; energy-saving management services; contract energy management (except for special projects subject to approval according to laws, with business license to carry out business activities independently according to laws).</u></p> <p>The Company may, based on any changes in domestic and international markets, business development and its own capability, adjust its scope of business, make amendments to these Articles of Association according to the relevant procedures and handle relevant formalities of industry and commerce administration registration for such an adjustment with the industry and commerce administration authorities according to relevant provisions.</p> |

The Articles of Association and its amendments thereto are written in Chinese and there is no official English version. Accordingly, any English translation is for reference only. In case of any inconsistency, the Chinese version shall prevail.

LETTER FROM THE BOARD

Except for the above proposed amendments, the contents of the other articles of the Articles of Association remain unchanged.

The proposed amendments to the Articles of Association are subject to the approval of a special resolution by the Shareholders at the EGM.

The resolution was considered and approved at the 22nd meeting of the second session of the Board. The Board considers that the proposed adjustments of business scope and the proposed amendments to the Articles of Association are in the interests of the Company and the Shareholders.

III. EGM AND VOTING METHOD

The Company intends to convene the EGM at 3:30 p.m. on Friday, December 30, 2022 at Conference Room No. 908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC, to consider and, if appropriate, approve the matters set out in the notice of the EGM. The form of proxy has been sent to the Shareholders in accordance with the Listing Rules on Thursday, December 8, 2022. The notice of the EGM is set out on pages 83 to 85 of this circular.

If you intend to appoint a proxy to attend the EGM, you are required to complete the enclosed form of proxy in accordance with the instructions printed thereon and return the same. The form of proxy should be returned to the H Share Registrar for holders of H Shares, or to the Board office of the Company for holders of Domestic Shares, in any event served by hand, by post or by fax not less than 24 hours before the time designated for holding the EGM or any adjournment thereof. Completion and return of the form of proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution which purely related to a procedural or administrative matter to be voted on by a show of hands. Therefore, the chairman of the EGM will demand a poll for each resolution of the EGM in accordance with Article 98 of the Articles of Association.

On a poll, each Shareholder (or, if the Shareholder is a company, its duly authorized representative) who attends the EGM in person or by proxy may have one vote for each Share registered in its name in the register of members of the Company. Shareholders entitled to more than one vote need not use all their voting rights or use all their voting rights in the same way.

As at the Latest Practicable Date, YCIH and YOIC, a wholly-owned subsidiary of YCIH, held a total of 280,050,000 Domestic Shares, representing in aggregate approximately 62.75% of the issued share capital of the Company. YCIH and YOIC are required to abstain from voting at the EGM in respect of the resolutions to approve the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement and the transactions contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than YCIH and YOIC is required to abstain from voting at the EGM.

LETTER FROM THE BOARD

An Independent Board Committee comprising all the independent non-executive Directors has been formed to advise the Independent Shareholders in respect of the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor). The Independent Financial Adviser has been appointed to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

IV. CLOSURE OF REGISTER OF MEMBERS

To determine the list of Shareholders entitled to attend and vote at the EGM, the Company will close the register of members from Friday, December 23, 2022 to Friday, December 30, 2022 (both days inclusive), during which period no transfer of Shares will be effected. Shareholders whose names are listed in the Company's register of members on Friday, December 30, 2022 will be entitled to attend and vote at the EGM. To be eligible to attend and vote at the EGM, all transfer documents shall be delivered, by no later than 4:30 p.m. on Thursday, December 22, 2022, to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or to the Board office of the Company, at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC (for holders of Domestic Shares).

V. RECOMMENDATIONS

The Directors (including independent non-executive Directors after considering the advice from VBG Capital) are of the view that (i) the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor); and (ii) the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) are entered into on normal commercial terms or better, in the ordinary course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the relevant resolutions at the EGM so as to approve (i) the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor); and (ii) the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor).

Your attention is drawn to the letter from the Independent Board Committee set out on pages 46 to 47 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 48 to 68 of this circular.

In addition, the Board is of the view that all the other resolutions to be proposed at the EGM are in the interest of the Company and the Shareholders as a whole, therefore the Board recommend the Shareholders to vote in favor of such resolutions to be proposed at the EGM.

LETTER FROM THE BOARD

VI. ADDITIONAL INFORMATION

Your attention is drawn to the additional information set out in the appendices to this circular.

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

December 8, 2022



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)

To the Independent Shareholders,

Dear Sir/Madam,

**(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE 2023 FINANCIAL SERVICES
FRAMEWORK AGREEMENT**

AND

**(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 PRODUCTS SALES FRAMEWORK
AGREEMENT AND THE 2023 RAW MATERIALS, PRODUCTS AND
SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

We refer to the circular of the Company dated December 8, 2022 (the “**Circular**”), of which this letter forms a part. Terms defined in the Circular shall have the same meaning when used herein, unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, (i) the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor); and (ii) the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor), details of which are set out in the letter from the Board, are entered into on normal commercial terms or better, in the ordinary course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

VBG Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on the fairness and reasonableness of the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement

LETTER FROM INDEPENDENT BOARD COMMITTEE

Framework Agreement (including the proposed annual caps therefor). Details of the advice from VBG Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 48 to 68 of the Circular.

Your attention is also drawn to the letter from the Board set out on pages 6 to 45 of the Circular.

Having considered the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor), the interests of the Independent Shareholders and the advice and recommendation of VBG Capital, we are of the view that: (i) the terms of the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor); and (ii) the transactions under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor) are entered into on normal commercial terms or better, in the ordinary course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolutions at the EGM so as to approve the deposit services and the bills acceptance and discount services contemplated under the 2023 Financial Services Framework Agreement (including the proposed annual caps therefor) and the transactions contemplated under the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including the proposed annual caps therefor).

Yours faithfully,
For and on behalf of
Independent Board Committee

Mr. Wong Kai Yan Thomas
*Independent non-executive
Director*

Mr. Yu Dingming
*Independent non-executive
Director*

Mr. Li Hongkun
*Independent non-executive
Director*

December 8, 2022

LETTER FROM VBG CAPITAL

Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the Continuing Connected Transactions (as defined herein) for the purpose of inclusion in this circular.



21/F., Low Block
Grand Millennium Plaza
181 Queen's Road Central
Hong Kong

8 December 2022

*To: The independent board committee and the independent shareholders
of YCIH Green High-Performance Concrete Company Limited*

Dear Sirs,

**(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED
TRANSACTIONS IN RELATION TO THE 2023 FINANCIAL SERVICES
FRAMEWORK AGREEMENT**

**(2) CONTINUING CONNECTED TRANSACTIONS
IN RELATION TO THE 2023 PRODUCTS SALES FRAMEWORK
AGREEMENT AND THE 2023 RAW MATERIALS, PRODUCTS AND
SERVICES PROCUREMENT FRAMEWORK AGREEMENT**

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the continuing connected transactions as listed below, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 8 December 2022 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

The below continuing connected transactions (altogether, the “**Continuing Connected Transactions**”):

- (i) the deposit services and bills acceptance and discount services (altogether, the “**Deposit and Bills Services**”) under the 2023 Financial Services Framework Agreement;
- (ii) the revenue transactions contemplated under the 2023 Products Sales Framework Agreement;
and

LETTER FROM VBG CAPITAL

- (iii) the expenditure transactions contemplated under the 2023 Raw Materials, Products and Services Procurement Framework Agreement.

According to the Letter from the Board, the aforesaid Continuing Connected Transactions constitute non-exempt continuing connected transactions for the Company under Chapter 14A of the Listing Rules, and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements. An EGM will be convened by the Company to seek approval from the Independent Shareholders in respect of these Continuing Connected Transactions.

The Independent Board Committee comprising Messrs. Wong Kai Yan Thomas, Yu Dingming and Li Hongkun (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Deposit and Bills Services under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including their respective annual caps) are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Continuing Connected Transactions at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

BASIS OF OUR OPINION

In formulating our opinion with regard to the Continuing Connected Transactions, we have relied on the information and facts supplied, opinions expressed and representations made to us by the management of the Group. We have assumed that the information and facts supplied, opinions expressed and representations made to us by the management of the Group were true, accurate and complete at the time they were made and continue to be true, accurate and complete in all material aspects until the date of the Circular. We have also assumed that all statements of belief, opinions, expectation and intention made by the management of the Group in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its management and/or advisers, which have been provided to us.

The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed, having made all reasonable enquiries, which to the best of their knowledge and belief, that the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement in the Circular or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, YCIH Financial Company, YCIH or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the

LETTER FROM VBG CAPITAL

Group or the Shareholders as a result of the Continuing Connected Transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2025, and they do not represent forecasts of revenues or costs to be recorded from the Continuing Connected Transactions. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded under the Continuing Connected Transactions will correspond with the proposed annual caps.

Where information in this letter of advice has been extracted from published or otherwise publicly available sources, we have ensured that such information has been correctly and fairly extracted, reproduced or presented from the relevant sources but we did not conduct any independent investigation into the accuracy and completeness of such information.

OUR INDEPENDENCE

As at the Latest Practicable Date, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the Continuing Connected Transactions.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In arriving at our opinion in respect of the Continuing Connected Transactions, we have taken into consideration the following principal factors and reasons:

(1) Background of the Continuing Connected Transactions

Business and financial overview of the Group

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

LETTER FROM VBG CAPITAL

As extracted from the Company's published annual reports, the table below depicts the key audited consolidated financial information of the Group for the past five years from 2017 to 2021:

| | For the year ended 31 December | | | | |
|---------------------|--------------------------------|-----------|-----------|-----------|-----------|
| | 2021 | 2020 | 2019 | 2018 | 2017 |
| | (RMB'000) | (RMB'000) | (RMB'000) | (RMB'000) | (RMB'000) |
| Revenue | 2,102,526 | 4,004,026 | 3,608,075 | 3,357,117 | 3,112,091 |
| Profit for the year | 6,693 | 227,089 | 215,686 | 179,449 | 219,094 |

As depicted by the above table, the Group's revenue had been surging persistently from 2017 to 2020. In 2021, the surge was hindered by the shrink in concrete sales. As referred to in the annual report of the Company for the year ended 31 December 2021, the Group's concrete sales shrank in 2021 due to (i) the Group's highway projects entered the final stages in 2021, and there had been delay in commencement of new highway projects which were originally scheduled to commence in 2021; (ii) in accordance with 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 PBOC and CBIRC effective from 1 January 2021, banks in the PRC had tightened the loans to real estate enterprises causing fund shortage and in turn postponement of new housing construction projects and slower progress of the housing projects which were under construction; (iii) production of the upstream cement industry had been curbed by certain new government policies, leading to a sharp increase in cement prices; and (iv) certain of the Group's projects in Yunnan Province had been suspended as a result of the COVID-19 pandemic. The shrink in concrete sales as aforementioned had also reduced the benefits from economies of scale during the manufacturing process. The Group's fixed costs of production therefore remained high and it experienced a reduction in net profit during the year ended 31 December 2021.

The Group is a leading concrete products supplier in Yunnan Province. To this end, the Company has successfully established a diversified business landscape focusing on the production of ready-mixed concrete, including UHPC and related products. The Group's production layout and sales network cover the entire Kunming and the prefecture-level cities of Yunnan Province, with focus on housing construction and infrastructure construction such as railways, highways and integrated pipeline networks. As at 30 June 2022, the Group had 43 concrete batching plants and 78 production lines with an annual capacity of 18.1 million cubic meters. The Group also had 172 concrete transport vehicles, 2 pump trucks and 298 sets of test equipment.

Information on YCIH

As extracted from the Letter from the Board, YCIH, the controlling shareholder of the Company, is a limited company established in the PRC and a wholly state-owned entity which is held by the Yunnan SASAC and Yunnan Provincial Department of Finance and operates under the supervision and regulation of the Yunnan SASAC.

LETTER FROM VBG CAPITAL

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

Information on YCIH Financial Company

As extracted from the Letter from the Board, YCIH Financial Company is a non-banking financial institution incorporated in the PRC and a non-wholly owned subsidiary of YCIH.

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

Based on the financial information of YCIH Financial Company which we requested from the Company, YCIH Financial Company recorded total revenue and net profit of approximately RMB446.3 million and RMB334.3 million, respectively, for the year ended 31 December 2021. As at 31 December 2021, the net asset value and cash on hand of YCIH Financial Group amounted to approximately RMB2.0 billion and RMB2.2 billion, respectively. Moreover, we noted from the articles of association of YCIH Financial Company that YCIH, being the controlling shareholder of YCIH Financial Company, has undertaken that it shall provide funding to YCIH Financial Company to satisfy its capital needs in the event that YCIH Financial Company experiences any urgent payment difficulties (the “**Undertaking**”).

Future advancement of the construction industry of Yunnan Province

From our independent research, we noted from the data released by the Yunnan Statistical Bureau that the annual gross domestic product of Yunnan Province had increased continuously at the average rate of approximately 5.6% in 2020 and 2021 regardless of the COVID-19 pandemic. Investment in infrastructure facilities jumped by approximately 7.3% and 7.5% in 2020 and 2021, respectively; whereas fixed assets investment of the construction industry jumped by approximately 29.0% and 47.1% in 2020 and 2021, respectively.

The “14th Five-Year Plan for National Economic and Social Development of Yunnan Province and the Outline of the 2035 Vision” (《雲南省國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》) has put forward the blueprint for future development of Yunnan Province. Following the implementation of the “14th Five-Year Plan for Construction Industry Development of Yunnan Province” (《雲南省「十四五」建築業發展規劃》), the “14th Five-Year Plan Outline for Housing and Urban Rural Construction of Yunnan Province” (《雲南省住房和城鄉建設事業「十四五」規劃綱要》) and other planning documents, it is expected that the construction industry of Yunnan Province will enjoy enormous development opportunity. The “List of Major Provincial Projects in Yunnan Province for 2022” (《雲南省2022年度省級重大項目清單》) and the “List of “Top Priority” Projects in Yunnan Province for 2022” (《雲南省2022年度「重中之重」項目清單》) published in June 2022 cover more than 1,200 construction projects within Yunnan Province, including industrial parks, regional medical centre, comprehensive logistic and transportation system, water conservancy infrastructure and energy base etc., thus will greatly stimulate the demand for concrete products. The construction of 78

LETTER FROM VBG CAPITAL

highways with the total length of around 6,000 kilometres and the total investment of approximately RMB1,024.1 billion will commence during the “14th Five-Year Plan” period. In accordance with the “Planning Outline of Comprehensive Three-dimensional Transportation Network of Yunnan Province” (《雲南省綜合立體交通網規劃綱要》), a modern three-dimensional transportation network integrating the land, air and water transports will be formed by 2035. In addition, the “Energy Initiatives for Implementation of Stable Growth Policies” (《落實穩增長政策措施能源行動方案》) also emphasizes that the construction of major hydropower and new energy projects, oil and gas infrastructure etc. will be accelerated in the near future.

Against the backdrop of the positive prospects of the construction industry of Yunnan Province, demand for concrete products is expected to jump robustly and the Group as a concrete enterprise with extensive experience, leading technology and stable supply will likely be benefited.

(2) The 2023 Financial Services Framework Agreement

Reasons for the Deposit and Bills Services

With reference to the Letter from the Board, the Directors believe that YCIH Financial Company understands the Company’s characteristics, capital structure, business operations, financing needs, cash flow patterns and the entire financial management system through their previous cooperation. In addition, as YCIH Financial Company is a major clearing and settlement platform for members of the YCIH Group, using the services provided by YCIH Financial Company would reduce costs and maximise efficiency, not to mention that YCIH Financial Company has undertaken to the Company that, during the term of the 2023 Financial Services Framework Agreement, it will provide the financial services contemplated thereunder (including but not limited to the Deposit and Bills Services) on terms no less favourable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial services.

Pursuant to the 2023 Financial Services Framework Agreement, the Group is not prohibited or restricted in any way to use the financial services provided by other commercial banks or independent financial institutions in the open market, and the Company enjoys discretion to make its selection according to its own business need. In other words, the Group may (but is not obliged to) utilise the financial services provided by YCIH Financial Company so as to deploy and manage its financial resources flexibly and efficiently.

With regard to the risk profile of YCIH Financial Company, we understand from our independent research that being a licensed non-banking financial institution in the PRC, YCIH Financial Company is closely supervised by PBOC and CBIRC, and is abided by a series of stringent regulations, including but not limited to:

- (i) it is neither allowed to engage in non-financial services business, including property investment or trading, nor to provide services to customers other than members of the YCIH Group (except for interbank lending and other businesses approved by CBIRC);

LETTER FROM VBG CAPITAL

- (ii) it must comply with the following ratio requirements: (a) the capital adequacy ratio shall not be lower than the minimum regulatory requirements of CBIRC; (b) the loan balance shall not be higher than 80% of the sum of the deposit balance and paid-up capital; (c) the total out-of-group liabilities shall not exceed its net capital; (d) the total amount of investment shall not be more than 70% of the net capital; and (e) the net fixed assets shall not exceed 20% of the net capital; and
- (iii) it is required to deposit with PBOC a mandatory proportion of the RMB deposits it has received.

As further confirmed by the Directors, to their best knowledge, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to YCIH Financial Company.

In assessing the financial and credit risks of YCIH Financial Company, we have taken into account:

- (i) as presented under the sub-section headed “Information on YCIH Financial Company” of this letter of advice, YCIH Financial Company has a strong financial standing;
- (ii) YCIH Financial Company is safeguarded by the Undertaking provided by YCIH, a wholly state-owned enterprise which is held by the Yunnan SASAC and Yunnan Provincial Department of Finance and operates under the supervision and regulation of the Yunnan SASAC;
- (iii) YCIH Financial Company is closely supervised by PBOC and CBIRC and is abided by a series of stringent regulations;
- (iv) the documents relating to internal control and risk management systems, such as the Measures on Credit Risk Management (《信貸風險管理辦法》), the Credit Business Management System (《信貸業務管理制度》), the Measures on Payment and Settlement Business (《支付結算業務管理辦法》) and the Rules for Payment and Settlement Business (《支付結算業務實施細則》) submitted by YCIH Financial Company to the Company;
- (v) to the best knowledge of the Directors, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to YCIH Financial Company; and
- (vi) in accordance with the provisions of the 2023 Financial Services Framework Agreement, (a) YCIH Financial Company shall guarantee the safe operation of funds management information system and ensure that such system has passed the security test of the interface with the online banking of commercial banks, adopted a dedicated line for direct connection with banks and met the security requirements of CBIRC for financial institutions; (b) YCIH Financial Company will operate in strict compliance with the risk monitoring indicators guidelines for financial institutions issued by CBIRC

LETTER FROM VBG CAPITAL

and ensure that its main regulatory indicators such as capital adequacy ratio and liquidity ratio shall comply with the provisions of relevant laws, regulations and other regulatory legal documents; and (c) in the event of circumstances that may endanger safety of the Group's deposits and transactions, YCIH Financial Company shall notify the Group in writing within two business days after the occurrence of such circumstances and take effective measures to avoid the occurrence or expansion of losses.

Having taken into account the foregoing, we concur with the Directors that the financial and credit risks of YCIH Financial Company are likely to be low and manageable.

In view of the aforesaid reasons for the 2023 Financial Services Framework Agreement and that as concluded above the financial and credit risks of YCIH Financial Company are likely to be low and manageable, we concur with the Directors that the 2023 Financial Services Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principle terms of the Deposit and Bills Services

Principal terms of the Deposit and Bills Services under the 2023 Financial Services Framework Agreement dated 31 October 2022 are set out as follows:

| | |
|---|---|
| Parties: | The Company (as service recipient) and YCIH Financial Company (as service provider) |
| Term: | 1 January 2023 to 31 December 2025 |
| Scope and pricing basis of the Deposit and Bills Services: | YCIH Financial Company shall provide the Deposit and Bills Services to the Group, and the Group may use some or all of such services depending on its requirements. |

With respect to the deposit services, the interest rates payable by YCIH Financial Company shall not be lower than the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the Group in the same period.

With respect to the bills acceptance and discount services, the service fees or interest rates to be charged by YCIH Financial Company shall not be higher than those of the same type of service provided by major domestic commercial banks in the PRC to the Group in the same period.

As mentioned above, the interest rates payable by YCIH Financial Company in respect of the deposit services shall not be lower than the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the Group in the same period. In

LETTER FROM VBG CAPITAL

this relation, we have compared the deposit rates offered by other major domestic commercial banks in the PRC and YCIH Financial Company around the same period, and noted that the deposit rates offered by YCIH Financial Company were not lower than those offered by other major domestic commercial banks in the PRC.

As also mentioned above, the service fees or interest rates to be charged by YCIH Financial Company in respect of the bills acceptance and discount services shall not be higher than those of the same type of service provided by major domestic commercial banks in the PRC to the Group in the same period. In this relation, we have compared the service fees charged by other major domestic commercial banks in the PRC and YCIH Financial Company in 2020, and noted that the service fee charged by YCIH Financial Company was not higher than those charged by other major domestic commercial banks in the PRC.

At the same time, we noted that pursuant to the 2023 Financial Services Framework Agreement, services provided by YCIH Financial Company are not exclusive. That is to say, the Group may (but is not obliged to) utilise the financial services provided by YCIH Financial Company. We consider that such provision could provide flexibility for the Group to decide which commercial banks or financial institutions to engage with according to its own business needs.

In light of the above, we are of the opinion that the terms of the Deposit and Bills Services are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps

The Company proposes to set the annual caps for the deposit services under the 2023 Financial Services Framework Agreement as RMB200 million for each of the three years ending 31 December 2023, 2024 and 2025.

As referred to in the Letter from the Board, the actual maximum daily deposit amounts (including interest accrued thereon) of the Group with YCIH Financial Company were approximately RMB131.0 million and RMB133.0 million during the period from 30 June 2020 (i.e. the effective date of the 2020 Financial Services Framework Agreement) to 31 December 2020 and the year ended 31 December 2021, respectively, indicating that the Group has constant substantial demand for the deposit services offered by YCIH Financial Company.

On the other hand, the Company proposes to set the annual caps for the bills acceptance and discount services under the 2023 Financial Services Framework Agreement as RMB400 million for each of the three years ending 31 December 2023, 2024 and 2025.

As referred to in the Letter from the Board, the actual amounts of bills acceptance and discount services offered by YCIH Financial Company to the Group were approximately RMB20.0 million and nil during the period from 30 June 2020 (i.e. the effective date of the 2020 Financial Services Framework Agreement) to 31 December 2020 and the year ended 31 December 2021, respectively. As advised by the Directors, during the term of the 2020 Financial Services Framework Agreement, to minimise the connected transactions between the Group and YCIH Financial Company, the

LETTER FROM VBG CAPITAL

Company had, to the extent possible, avoided engaging YCIH Financial Company for bills acceptance and discount services. Nevertheless, following the implementation of the Centralized RM Procurement Policy in August 2022, the procurement amount between the Group and the YCIH Group is expected to increase considerably in the future (for details, please refer to the sub-section headed “Principle terms of the 2023 Raw Materials, Products and Services Procurement Framework Agreement” of this letter of advice). Due to the convenience of internal payment provided by YCIH Financial Company, the Company plans to utilize more bills acceptance and discount services provided by YCIH Financial Company.

Given that:

- (i) the Group has constant substantial demand for the deposit services offered by YCIH Financial Company and the actual maximum daily deposit amounts (including interest accrued thereon) of the Group with YCIH Financial Company represented over 60% of the proposed annual caps;
- (ii) based on our review of the interim report of the Company for the six months ended 30 June 2022, the Group had cash and bank deposits totaling approximately RMB538.2 million, surpassing the proposed annual caps for the deposit services of RMB200 million;
- (iii) as represented by the Directors, the Group has constant substantial demand for bills acceptance and discount services and the annual amounts of bills acceptance and discount services engaged with commercial banks or financial institutions amounted to RMB300 million on average over the past three years;
- (iv) going forward, following the implementation of the Centralized RM Procurement Policy in August 2022, the procurement amount between the Group and the YCIH Group is expected to increase considerably in the future. The Company plans to utilize more bills acceptance and discount services provided by YCIH Financial Company to enjoy the convenience of internal payment provided by YCIH Financial Company;
- (v) in view of the expected business expansion of the Group and the corresponding increasing demand for the bills acceptance and discount services, the Group intends to achieve faster capital recovery, improve fund utilization rate and shorten turnover of funds through using more bills acceptance and discount services provided by YCIH Financial Company. Specifically, the Group, based on the expected growth in transaction amounts of raw materials for the three years ending 31 December 2025, estimates that the proposed annual cap of RMB400 million for the bills acceptance and discount services can support around three or four capital turnovers of the Group during the annual billing cycle, while the historical annual cap of RMB100 million can only support around two capital turnovers of the Group during the annual billing cycle;

LETTER FROM VBG CAPITAL

- (vi) based on our review of the interim report of the Company for the six months ended 30 June 2022, the Group had trade and notes receivables totaling approximately RMB4,046.2 million, ten times of the proposed annual caps for the bills acceptance and discount services of RMB400 million;
- (vii) as presented under the sub-section headed “Business and financial overview of the Group” of this letter of advice, the Group recorded considerable annual revenue of over HK\$2.0 billion during the past five years. Despite the downturn in revenue and net profit in 2021, the Directors expected that the Group’s business would be able to resume the growing momentum leveraging on its solid foundation and strategic development, thereby generating massive cash flow and ongoing demand for the Deposit and Bills Services; and
- (viii) the proposed annual caps provide flexibility instead of an obligation to the Group to use the Deposit and Bills Services offered by YCIH Financial Company on terms no less favourable than those offered by major domestic commercial banks in the PRC with respect to the same type of financial services,

we are of the view the proposed annual caps for the Deposit and Bills Services under the 2023 Financial Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

(3) The 2023 Products Sales Framework Agreement

Reasons for the 2023 Products Sales Framework Agreement

With reference to the Letter from the Board, the Group and YCIH and its associates have established a long-term relationship. Through years of cooperation, the Company believes that YCIH and the Group have mutual understanding of each other’s planning of operation, quality control as well as specific requirements, which will enable smooth operation and help to save costs. The Group is among the few that has the capabilities to provide reliable and sufficient supply to meet the substantial needs of YCIH and its associates in their construction business operations. The Group is also capable of research and development, design and production of different types of concrete in order to satisfy the requirements of the different projects carried out by YCIH and its associates. While the revenue transactions contemplated under the 2023 Products Sales Framework Agreement would provide a rather stable source of revenue to the Group, the Company believes that the risk of default by YCIH and its associates is relatively minimal as YCIH is a state-owned enterprise which is held by the Yunnan SASAC and Yunnan Provincial Department of Finance and operates under the supervision and regulation of the Yunnan SASAC. Furthermore, by supplying products to YCIH and its associates which often undertake high profile and demanding projects in Yunnan Province, the Group shall be able to build up its own profile and boost its reputation among its other existing and potential independent customers.

LETTER FROM VBG CAPITAL

In view of the aforesaid reasons for the 2023 Products Sales Framework Agreement, we concur with the Directors that the 2023 Products Sales Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

Principle terms of the 2023 Products Sales Framework Agreement

Principal terms of the 2023 Products Sales Framework Agreement dated 31 October 2022 are set out as follows:

| | |
|-------------------------------------|---|
| Parties: | The Company (as seller) and YCIH (as purchaser) |
| Term: | 1 January 2023 to 31 December 2025 |
| Scope and pricing guideline: | The Group will sell concrete, aggregates and other products to YCIH and its associates. |

Under the 2023 Products Sales Framework Agreement, the price of the products shall be determined as follows:

- (i) the price of the products shall be determined in accordance with the pricing policies and guidelines adopted and regularly reviewed by the Company for the sales of products to all customers with reference to upstream materials and product prices and other costs, and be generally in line with the prevailing market price at which the same type of products is provided by the Group to an independent third party customer on normal commercial terms.

The following factors will also be taken into account to determine the prevailing market price: the price the Group offers to the independent third party customers for the same type of products, the payment terms, the specific requirements of the parties, the quality of the products required and the geographical areas where the products are provided, etc., to ensure the price will be no less favorable to the Group than that of the same type of products it provides to independent third party customers; and

- (ii) in the unlikely event that no comparable market price can be taken, experts of the Group with sufficient industry experience shall opine on the fairness and reasonableness of the price by reference to the comparable price and/or historical transaction price of the most similar items to

LETTER FROM VBG CAPITAL

ensure the price would be fair and reasonable to the Group and no less favourable to the Group than the price it offers to independent third party customers.

For our due diligence purpose, we have randomly selected and reviewed (i) around 15 transaction records for transactions contemplated under the 2020 Products Sales Framework Agreement during the period from 2020 and 2022; and (ii) around 15 transaction records for transactions between the Group and independent third party customers in respect of the provision of similar concrete products by the Group during the period from 2020 to 2022. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as payment terms, terms on delivery and service quality) were similar.

As further advised by the Directors, the Group's sales of concrete products to all customers are consistently affected by the location of the customers' construction projects owing to the fact that once the concrete is produced, it must be poured within the time as required by specification. Hence, it would be rather impractical for the Group to enquire and compare prices with independent third party customers for each transaction it enters into with a connected party. In the event that the Group enters into multiple sale transactions with the same customer, the two parties would still need to negotiate the specific commercial terms of each sale if they concern different construction projects. Factors considered by the Group for determining the sales price include the price of raw materials, which itself is also subject to geographical restrictions, project complexity and technical difficulties, such as the construction methods used and performance requirements. Sales price of concrete products in different regions and concrete products with different specifications and transportation distance in the same region are not comparable.

Upon our enquiry, we understand from the Directors that with the aforesaid characteristics of concrete sales being the case, the Group has adopted a comprehensive set of internal procedures to ensure adherence to the pricing policies and guidelines as stipulated under the 2023 Products Sales Framework Agreement. Having considered that (i) standard price lists shall be formulated and published by the Company's enterprise management department with reference to relevant price information published by the Office of Construction, Engineering, Technology and Economy of Yunnan Province (雲南省工程建設技術經濟室) or collected through market research; and (ii) each prospective individual agreement under the 2023 Products Sales Framework Agreement shall be approved by the senior management of the Company such that the sales prices and other key terms are on normal commercial terms, fair pricing under the 2023 Products Sales Framework Agreement would be warranted.

In light of the above, we are of the opinion that the terms of the 2023 Products Sales Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

LETTER FROM VBG CAPITAL

The proposed annual caps

The table below depicts the proposed annual caps for the revenue transactions contemplated under the 2023 Products Sales Framework Agreement for the three years ending 31 December 2023, 2024 and 2025:

| | 2023 | 2024 | 2025 |
|---------------------------------|---------------|---------------|---------------|
| | (RMB million) | (RMB million) | (RMB million) |
| The proposed annual caps | 2,497 | 2,714 | 2,954 |

Upon our request, the Company provided us with the calculation of the above proposed annual caps. We noted from the calculation that (i) the annual cap for the year ending 31 December 2023 represented the expected volume of sales to YCIH and its associates in 2023 based on contracts in progress and/or to be signed for the large-scale infrastructure projects and property construction works of YCIH and its associates that will commence in 2023; and (ii) the annual caps for the years ending 31 December 2024 and 2025 were computed based on the 2023 proposed annual cap, with an expected year-on-year increase of around 4% (the “**Expected Increment**”) to meet the substantial needs of YCIH and its associates for undertaking their upcoming major infrastructure construction projects.

As the annual cap for the year ending 31 December 2023 was determined based on contracts in progress and/or to be signed for supply of concrete, aggregates and other products to YCIH and its associates for their large-scale infrastructure projects and property construction works that will commence in 2023, we have requested the Company to provide us with the relevant breakdown. We noted from the breakdown that around one-third of the 2023 concrete supply are related to contracts in progress; whilst the remaining two-third were forecasted with reference to contracts to be entered into. To substantiate the contracts to be entered into, we have further requested the Company to provide us with information regarding the projects that the YCIH Group will be undertaking in 2023, including their location, development schedule, scale and expected demand for concrete. We were also advised by the Company that in support of the “Yunnan Province’s 14th Five-Year Construction Industry Development Plan” (《雲南省「十四五」建築業發展規劃》) and the “14th Five-Year Plan Outline for Housing and Urban Rural Construction of Yunnan Province” (《雲南省住房和城鄉建設事業「十四五」規劃綱要》), the YCIH Group will start a number of large-scale infrastructure projects and property construction works in 2023. Those large-scale infrastructure projects include Nanjian-Yunxian Highway (南雲高速), Ljgucheng-Ninglang Highway (古寧高速), Xuanwei-Fuyuan Highway (宣富高速), Eshan-Shiping-Honghe Highway (石紅高速) and Ludian-Qiaojia Highway (魯巧高速). Massive demand for concrete, aggregates and other products is therefore expected, and the Company has incorporated its expected volume of sales to YCIH and its associates under the relevant contracts to be entered into to determine the 2023 proposed annual cap.

On the other hand, we are aware of that the historical transaction amounts for the sales of concrete, aggregates and other products to YCIH and its associates were approximately RMB2,522 million, RMB3,038 million and RMB1,294 million for the three years ended 31 December 2019, 2020 and 2021, respectively. Due to the impact of the COVID-19 pandemic, construction of certain projects of the YCIH Group in 2022 were delayed, resulting in significant reduction in concrete

LETTER FROM VBG CAPITAL

demand from YCIH and its associates in 2022. Notwithstanding such disruption, the Group's concrete sales to YCIH and its associates are expected to return to the previous level from 2023 onwards leveraging on the leading market position of the Group in Yunnan Province and its ongoing effort on research and development of new products and technologies to extend the upstream and downstream industrial chains business activities. The proposed annual cap for the year ending 31 December 2023 of RMB2,497 million, which is comparable to the historical transaction amounts in 2019 and 2020, is hence justified.

As regards the proposed annual caps for the years ending 31 December 2024 and 2025, we are of the view that the Expected Increment is fair and reasonable given (i) the historical transaction amounts for the sales of concrete, aggregates and other products to YCIH and its associates had mounted by approximately 20.5% to approximately RMB3,038 million from 2019 to 2020; and (ii) the positive prospects of the construction industry in Yunnan Province as illustrated under the sub-section headed "Future advancement of the construction industry of Yunnan Province" of this letter of advice. As a matter of fact, the revenue transactions under the 2023 Products Sales Framework Agreement would provide a rather stable source of revenue to the Group under terms which are no less favourable to the Group than those it offers to independent third party customers, and thus are beneficial to the Company.

In conclusion, we are of the view that the proposed annual caps for the revenue transactions contemplated under the 2023 Products Sales Framework Agreement for the three years ending 31 December 2025 are fair and reasonable so far as the Independent Shareholders are concerned.

(4) The 2023 Raw Materials, Products and Services Procurement Framework Agreement

Reasons for the 2023 Raw Materials, Products and Services Procurement Framework Agreement

With reference to the Letter from the Board, the Group and YCIH and its associates have established a long-term relationship. Through years of cooperation, the Company believes that YCIH and the Group have mutual understanding of each other's planning of operation, quality control as well as specific requirements, which will enable smooth operation and help to save costs. YCIH is the largest construction enterprise in Yunnan Province, and the operations of YCIH and its associates also cover construction related areas such as manufacturing, survey, design, research and consultancy. YCIH and its associates are capable of supplying the Group with raw materials, products and services with sufficient quantity, reliable quality, favorable terms and in a timely manner, which will ensure the smooth business operation of the Group. Furthermore, the Group uses the property management services provided by YCIH and its associates for properties leased from them such that the quality and timeliness of services can be ensured.

In view of the aforesaid reasons for the 2023 Raw Materials, Products and Services Procurement Framework Agreement, we concur with the Directors that the 2023 Raw Materials, Products and Services Procurement Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

LETTER FROM VBG CAPITAL

Principle terms of the 2023 Raw Materials, Products and Services Procurement Framework Agreement

Principal terms of the 2023 Raw Materials, Products and Services Procurement Framework Agreement dated 31 October 2022 are set out as follows:

Parties: The Company (as purchaser and service recipient) and YCIH (as seller and service provider)

Term: 1 January 2023 to 31 December 2025

Scope and pricing guideline: The Group will procure raw materials, products and services from YCIH and its associates. The raw materials, products and services to be procured thereunder include, without limitation, the following:

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

Under the 2023 Raw Materials, Products and Services Procurement Framework Agreement, the price shall be determined as follows:

- (i) With respect to raw materials: (a) the price shall be generally in line with the prevailing market price at which the same type of raw materials is provided to the Group by independent third party suppliers on normal commercial terms. The Group will conduct market research and regularly contact its suppliers (including both YCIH and its associates and independent third party suppliers) to understand the market conditions and determine the prevailing market price of the relevant type of raw materials; and (b) where a public tendering process or a competitive negotiation process is required for the procurement of the relevant raw material, the price shall be determined based on the results of such process in accordance with the Company's internal regulations and rules applicable to all suppliers of the same type of raw materials. Pursuant to such regulations and rules, if YCIH and its associates win the bid, the

LETTER FROM VBG CAPITAL

terms they offer, including the price quoted, shall be no less favorable than those offered by any independent third party supplier that participates in the process.

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

- (iii) With respect to services: (a) the price of construction services shall be determined with reference to the pricing guideline and method as set out in the Pricing Standards for Construction and Engineering of Yunnan Province (2020 Edition) (《雲南省建設工程造價計價標準 (2020 版)》); and where a public tendering process is conducted for the procurement, based on the results of such process; (b) the price of the property management services shall be determined with reference to the prevailing market rates and conditions for the same type of service provided in the neighboring areas, taking into account factors such as the geographical location, the standard and quality of services and the condition of the property; and (c) the price of consultancy services shall be determined with reference to the prevailing market rates at which the same type of service is provided to the Group by independent third party service providers on normal commercial term.

LETTER FROM VBG CAPITAL

For our due diligence purpose, we have randomly selected and reviewed (i) around 15 transaction records for transactions contemplated under the 2020 Raw Materials, Products and Services Procurement Framework Agreement during the period from 2020 and 2022; and (ii) around 15 transaction records for transactions between the Group and independent third party suppliers in respect of the procurement of similar raw materials, products or services by the Group during the period from 2020 to 2022. Based on our review and comparison of the said transaction records which we consider to be fair and representative from random selection, we noted that their major terms (such as price, payment terms, terms on delivery and service quality) were similar.

Moreover, we have requested the Company to provide us with five sets of relevant tender documents for transactions which require public tender for procurement of the raw materials/products concerned. We noted from those sample tender documents that the price was determined based on the results of the tender in accordance with the Company's internal regulations and rules applicable to all suppliers of the same type of raw materials/products.

In light of the above, we are of the opinion that the terms of the 2023 Raw Materials, Products and Services Procurement Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

The proposed annual caps

The table below depicts the proposed annual caps for the expenditure transactions contemplated under the 2023 Raw Materials, Products and Services Procurement Framework Agreement for the three years ending 31 December 2025:

| | 2023 | 2024 | 2025 |
|---------------------------------|----------------------|----------------------|----------------------|
| | <i>(RMB million)</i> | <i>(RMB million)</i> | <i>(RMB million)</i> |
| The proposed annual caps | 853 | 916 | 936 |

Upon our request, the Company provided us with the calculation of the above proposed annual caps, which demonstrates that the expected procurement value of raw materials constituted a major proportion of the proposed annual caps.

When assessing the fairness and reasonableness of the proposed annual caps, we are aware of that the historical transaction amounts for the procurement of raw materials, products and services from YCIH and its associates were approximately RMB166 million, RMB155 million and RMB80 million for the three years ended 31 December 2019, 2020 and 2021, respectively, all being significantly below the proposed annual caps. At the same time, we noted from the calculation provided by the Company that there will be a strong soar in the Group's expected procurement amounts of raw materials from YCIH and its associates. Accordingly, we have enquired into the Directors for the reasons for such strong soar. As advised by the Directors, in response to the new Centralized RM Procurement Policy of the YCIH Group, from August 2022 onwards, the raw materials fulfilling specific requirements for projects invested, constructed and built by the YCIH Group shall be purchased from the YCIH Group. The purpose of the Centralized RM Procurement Policy is to standardize, strengthen and expand the centralized procurement of materials within the

LETTER FROM VBG CAPITAL

YCIH Group such that a stable supply of materials can be guaranteed and the efficiency on cost control and use of funds can be improved. The full implementation of such new requirements is stated in the “Implementation Measures of Yunnan Construction Investment Holding Group Co., Ltd. on Further Strengthening the Group’s Centralized Procurement of Materials (Trial Implementation)” (《雲南省建設投資控股集團有限公司關於進一步加強集團物資集中採購工作的實施辦法（試行）》) issued by YCIH to its group companies on 1 July 2022. For our due diligence purpose, we have requested and obtained a copy of the said implementation measures from the Company.

Following the new Centralized RM Procurement Policy and requirements of YCIH, there will be a strong soar in the Group’s procurement amount of raw materials from YCIH and its associates under the 2023 Raw Materials, Products and Services Procurement Framework Agreement. Specifically, the Company has estimated its procurement amounts of raw materials in 2023 based on the concrete demand of its large projects on hand and to be contracted, and the amounts of raw materials required for production of such quantity of concrete to satisfy the project needs. From the information provided by the Company, given the impact of the COVID-19 pandemic, certain large projects have been delayed and the volume of concrete required under those contracts which will be carried forward to 2023 is approximately 2.1 million cubic metres, or approximately RMB120.9 million. Furthermore, according to the Group’s analysis of the new projects to be contracted in 2023, the expected volume of concrete required is estimated to be approximately 4.5 million cubic metres in 2023, or approximately RMB532.7 million. Thus, the total projected procurement amount of raw materials will sum up to around RMB654 million in 2023, representing almost 80% of the proposed annual cap for 2023. As for 2024 and 2025, a 10% year-on-year increase in demand is expected to cater for the Group’s production needs.

In addition, with the continuous expansion of the Group’s production scale and the relocation and transformation of its existing mixing stations, the Group will be purchasing new production lines and other necessary equipment and procuring the relevant professional services from YCIH and its associates in the coming three years. In particular, we understand from the Directors that firstly, the Group intends to expand the upstream raw material resources, carry out acquisition of aggregates and mining resources and investment in related fixed assets. Secondly, the Group will consolidate the main concrete business, conduct technical transformation of existing concrete production, reconstruct and extend its original batching plants and build new concrete batching plants. Lastly, the Group is endeavouring to promote green and low-carbon development and green building materials, and will continue to carry out research and development of new products and new technologies, as well as investment in related new production capacity. In relation to the aforesaid future expansion of the Group, we were provided with the relevant feasibility study and transformation proposal by the Company.

Upon our further discussion with the Directors, we understand that the Company is planning to allocate the unutilized net proceeds from the global offering in 2019 as to: (i) approximately RMB2.49 million for improvement, integration and expansion of existing concrete production lines; (ii) approximately RMB3.28 million for building new production bases; (iii) approximately RMB150 million for acquisition and consolidation of aggregates and mining resources and investments in related fixed assets; (iv) approximately RMB75 million for technical renovation of concrete production and related equipment purchases and investments in fixed assets; and (v) approximately RMB25.66 for research and development of new products and new technologies and related

LETTER FROM VBG CAPITAL

equipment purchases and investments of fixed assets. As fuelled by the unutilized net proceeds from the global offering, we concur with the Directors that the future expansion of the Group will trigger considerable demand for products and services from YCIH and its associates under the 2023 Raw Materials, Products and Services Procurement Framework Agreement.

In conclusion, we are of the view that the proposed annual caps for the expenditure transactions contemplated under the 2023 Raw Materials, Products and Services Procurement Framework Agreement for the three years ending 31 December 2025 are fair and reasonable so far as the Independent Shareholders are concerned.

INTERNAL CONTROL AND COMPLIANCE WITH THE LISTING RULES

With reference to the Letter from the Board, the Group has adopted various internal control policies to supervise the Continuing Connected Transactions.

Moreover, the Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 and 14A.55 of the Listing Rules pursuant to which (i) the amounts of the Continuing Connected Transactions must be restricted by the respective proposed annual caps; (ii) the terms of the Deposit and Bills Services under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including their respective annual caps) must be reviewed by the independent non-executive Directors annually; and (iii) details of independent non-executive Directors' annual review on the terms of the Deposit and Bills Services under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including their respective annual caps) must be included in the Company's subsequent published annual reports and financial accounts. As also stipulated under Rule 14A.56 of the Listing Rules, auditors of the Company must provide a letter to the Board confirming, among other things, that the Continuing Connected Transactions are carried out in accordance with the pricing policies of the Company, and the respective proposed annual caps are not being exceeded. In the event that the total amounts of the Continuing Connected Transactions exceed the respective annual caps, or that there is any material amendment to the terms the Deposit and Bills Services under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including their respective annual caps), the Company, as confirmed by the Directors, shall comply with the applicable provisions of the Listing Rules governing continuing connected transaction.

With the internal control policies of the Group as well as the stipulated requirements for continuing connected transaction of the Listing Rules in place, the Continuing Connected Transactions will be monitored and hence the interest of the Independent Shareholders would be safeguarded.

RECOMMENDATION

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Deposit and Bills Services under the 2023 Financial Services Framework Agreement, the 2023 Products Sales Framework Agreement and the 2023 Raw Materials, Products and Services Procurement Framework Agreement (including their respective annual caps) are on normal commercial

LETTER FROM VBG CAPITAL

terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board Committee to advise the Independent Shareholders to vote in favour of the respective resolutions to be proposed at the EGM to approve the Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
VBG Capital Limited
Doris Sing
Managing Director

Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 17 years of experience in corporate finance.

1. FINANCIAL INFORMATION OF THE GROUP

Financial information of the Group as set out in the audited consolidated financial statements of the Company for each of the three years ended December 31, 2019, 2020 and 2021 was disclosed in the following documents which have been published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ynhnt.com):

- (a) the Company's annual report for the year ended December 31, 2019, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2020/0424/2020042400729.pdf>

- (b) the Company's annual report for the year ended December 31, 2020, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2021/0422/2021042200433.pdf>

- (c) the Company's annual report for the year ended December 31, 2021, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2022/0425/2022042500560.pdf>

2. INDEBTEDNESS STATEMENT

As at October 31, 2022, being the latest practicable date for the purpose of compiling this indebtedness statement of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

Guarantees and borrowings

The Group had bank loans repayable within one year and after one year of approximately RMB252.90 million. The subsidiaries of the Group had loans approximately RMB34.00 million guaranteed by the Company and all other bank loans are unguaranteed. All bank loans amounting to approximately RMB252.90 million bear interest at fixed rates and do not involve the security over the assets.

Contract liabilities

The Group had contract liabilities of approximately RMB8.49 million. Contract liabilities are recognised when payments are received or payments are due (whichever are earlier) from a customer before the Group transfers the related products or services. Contract liabilities are recognised as revenue when the Group performs under the contract (i.e., transfers control of the related products or services to the customer).

Lease liabilities

The Group had lease liabilities of approximately RMB20.80 million.

Amounts due to related companies

The Group had amounts due to related companies of approximately RMB77.34 million, which were contractual performance amounts.

Contingent liabilities

The Group did not have any material contingent liabilities.

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debt securities, term loans and overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any other guarantees or material contingent liabilities as at October 31, 2022.

3. WORKING CAPITAL

Taking into account the Group's cash and cash equivalents on hand, financial resources available to the Group and cash generated from future operations, the Directors after due and careful enquiry, are of the view that, in the absence of unforeseeable circumstances, the Group has sufficient working capital for the Group's present requirements, that is, for at least 12 months from the date of this circular.

4. FINANCIAL AND TRADING PROSPECTS

For the two years ended December 31, 2020 and 2021, the Group recorded revenue of approximately RMB4,004 million and RMB2,103 million, respectively.

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 region development of Yunnan Province. The first is to expand upstream raw material resources, carry out acquisition and consolidation of aggregates and mining resources and investment in related fixed assets, including acquisition and consolidation of aggregates and mining, acquisition of high-quality aggregates and mining enterprises and investment in fixed assets, etc.; the second is to consolidate the main concrete 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 investment in relevant new production capacity. The Company will continue to improve and finally complete its industrial chain structure. Looking ahead, the "14th Five-Year Plan" is an important period for the improvement, breakthrough and reshaping of the ready-mixed concrete industry. 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 (《雲南省國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》) 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 (《雲南省「十四五」建築業發展規劃》), 14th Five-Year Plan Outline for Housing and Urban-Rural Construction of Yunnan Province (《雲南省住房和城鄉建設事業「十四五」規劃綱要》) 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 (《關於推動供應鏈金融服務實體經濟的指導意見》) by China Banking and Insurance Regulatory Commission, the implementation of such document has been further promoted in various places. The digital supply chain financial platform built by the Group has been officially put into operation. 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, continuously expand the corporation with upstream and downstream enterprises and expand its business scale.

5. FINANCIAL EFFECT OF THE 2023 FINANCIAL SERVICES FRAMEWORK AGREEMENT

The 2023 Financial Services Framework Agreement does not, and the Group expects that it will not, have any material impact on the Group’s earnings, net asset value, liabilities and asset liabilities.

1. RESPONSIBILITY STATEMENTS

This circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief, the information contained in this circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make this circular or any statement herein misleading.

2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors were not aware of any material adverse change in the financial or trading position of the Group since December 31, 2021, the date to which the latest published audited consolidated financial statements of the Group were made up.

3. DISCLOSURE OF INTEREST OF DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE

As at the Latest Practicable Date, none of the Directors, Supervisors and chief executive of the Company and their respective associates had any interests and/or short positions in the Shares, underlying Shares and debentures of the Company or its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 to the Listing Rules.

As at the Latest Practicable Date, saved as disclosed below, none of the Directors, proposed Director, Supervisors and chief executive of the Company was a director, supervisor or employee of a company which had an interest or short position in the Shares and underlying Shares which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO.

| Name of Director/Proposed Director/Supervisor | Position held in the relevant Shareholder |
|--|---|
| Jiang Qian | Vice Chairman and Secretary of the Party Committee of YOIC |
| Liu Zhumin | Vice President of KMEIC |
| Wu Xinhe | Vice President of KMEIC |
| Yang Guanglei | Member of the Discipline Inspection Commission and Head of the Office for the Leading Group for Party Committee Inspection Work of YCIH |
| Gu Feng | Deputy Manager of the Finance Department of YOIC |

4. COMPETING INTEREST

As at the Latest Practicable Date, none of the Directors, proposed Director or, so far as is known to them, any of their respective close associates (as defined in the Listing Rules) was interested in any business which competes or is likely to compete either directly or indirectly with the Group's business (as would be required to be disclosed under Rule 8.10 of the Listing Rules as if each of them were a controlling shareholder of the Company).

5. SERVICE CONTRACTS

As at the Latest Practicable Date, none of the Directors, proposed Director or Supervisors had any existing or proposed service contract with any member of the Group (excluding contracts expiring or terminable by the employer within a year without payment of any compensation (other than statutory compensation)).

6. INTERESTS IN THE GROUP'S ASSETS OR CONTRACTS OR ARRANGEMENTS SIGNIFICANT TO THE BUSINESS OF THE GROUP

As at the Latest Practicable Date, none of the Directors, proposed Director or Supervisors had any interest in any assets which have been, since December 31, 2021 (being the date to which the latest published audited accounts of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

As at the Latest Practicable Date, none of the Directors or Supervisors was materially interested in any contract or arrangement subsisting at the Latest Practicable Date, which is significant in relation to the business of the Group.

7. EXPERT'S QUALIFICATION AND CONSENT

- (a) The following is the qualification of the expert who has given its opinion or advice which is contained in this circular:

| Name | Qualifications |
|---------------------|--|
| VBG Capital Limited | a licensed corporation to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activity under the SFO |

- (b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.
- (c) The expert has given and has not withdrawn its written consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they appear.

- (d) The letter and recommendation given by VBG Capital are given as of the date of this circular for incorporation herein.
- (e) The expert did not have direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, the Company or any of its subsidiaries since December 31, 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up.

8. JOINT COMPANY SECRETARIES

The joint company secretaries of the Company are Ms. Liang Yuwei and Mr. Leung Chi Kit.

Ms. Liang obtained a master's degree in Management Science and Engineering from Yunnan University in July 2016 and was awarded the title of "Outstanding Graduate of Yunnan Province". Ms. Liang also obtained the title of intermediate economist of finance in November 2018. In addition, Ms. Liang obtained the qualification certificate of the secretary to the board of directors issued by Shanghai Stock Exchange in August 2018 and obtained the qualification certificate of the independent director issued by Shanghai Stock Exchange in November 2018.

Mr. Leung is an associate member of The Hong Kong Chartered Governance Institute and The Chartered Governance Institute in the United Kingdom.

9. MATERIAL CONTRACTS

The Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

10. LITIGATION

As at the Latest Practicable Date, no member of the Group was engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

11. DOCUMENTS ON DISPLAY

Copies of the following documents will be published on the websites of the Stock Exchange (www.hkexnews.hk) and the Company (www.ynhnt.com) for a period of 14 days from the date of this circular:

- (a) the 2023 Financial Services Framework Agreement;
- (b) the 2023 Products Sales Framework Agreement;
- (c) the 2023 Raw Materials, Products and Services Procurement Framework Agreement; and
- (d) the written consent referred to in the section headed "Expert's Qualification and Consent" in this appendix.

YCIH GREEN HIGH-PERFORMANCE CONCRETE COMPANY LIMITED

**2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND
EVALUATION FOR EXECUTIVE DIRECTORS**

CHAPTER 1 GENERAL PROVISIONS

Article 1 Purpose and basis

For the purposes of establishing and refining the incentive and restraint mechanism for management, fully mobilizing the enthusiasm and creativity of the executive directors of YCIH Green High-Performance Concrete Company Limited (the “Company”), improving operation and management standards, and ensuring the sound, sustainable and stable development of the Company, these Measures are hereby formulated by the remuneration and evaluation committee (the “Remuneration and Evaluation Committee”) of the board (the “Board”) of directors (the “Directors”) of the Company, in accordance with the provisions of the Company Law of the People’s Republic of China, the Code of Corporate Governance for Listed Companies and other relevant laws and regulations, as well as the Articles of Association and the Company’s other rules, and in line with the basic principles of “marketization, internationalization, differentiation and diversification”.

Article 2 Scope of application

These Measures apply to the executive Directors of the Company (the “executive Directors”), including the chairman, the vice chairman and general executive Directors who are not the chairman or the vice chairman (the “general executive Directors”), but excluding the non-executive Directors and independent non-executive Directors. If an executive Director also serves as key personnel (the “key personnel”) such as senior management, his/her remuneration shall be subject to the remuneration and evaluation measures for the relevant key personnel as well, and shall be treated in accordance with the principle of “no double remuneration”.

Article 3 Remuneration principles

With the incentive of maximizing shareholder’s value, the remuneration of executive Directors is formulated around the Company’s strategic objectives and annual business plan in accordance with the following principles:

- (I) Principle of performance-oriented assessment. The remuneration of executive Directors is linked to the Company’s operating results and individual performance of duties and is oriented towards performance growth, with a combination of rewards and punishments, so as to give full play to the incentive and restraint effect of remuneration.
- (II) Principle of fairness and impartiality. Revenue is distributed strictly in terms of the level of contribution to the Company, with unity of responsibilities, rights and interests, showing an integration of incentive and restraint.

APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS

- (III) Principle of “no double remuneration”. In other words, if an executive Director holds more than one position within the Company at the same time, his/her remuneration shall be fixed at the higher rate.
- (IV) Principle of comparable to peer. With reference to listed companies of the same industry and of the same scale, the remuneration level of Directors is reasonably determined to ensure that such remuneration is attractive to executive Directors and competitive in the market.

Article 4 Management body

- (I) The general meeting of the Company shall be the highest organ of authority of these Measures, responsible for considering and approving the implementation, change, amendment and termination of these Measures.
- (II) The Board shall be the executive management body of these Measures, and shall perform these Measures in accordance with the resolutions of the Company’s general meeting.
- (III) The Remuneration and Evaluation Committee shall be responsible for formulating the relevant administrative measures on remuneration, organising and carrying out evaluation and proposing the remuneration scheme.
- (IV) The office of the Board, human resources department, financial management centre and other departments of the Company shall be responsible for the specific implementation of these Measures.

CHAPTER 2 COMPOSITION OF REMUNERATION

Article 5 Remuneration structure

The remuneration of an executive Director comprises the basic annual salary, the annual performance salary, the special rewards (penalties) and the bonus.

APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS

Article 6 Basic annual salary

The basic annual salary is the annual basic income of an executive Director. It is determined on the basis of the average wage level of the Company's employees in post, taking into account the differences in the positions held. The formula for basic annual salary is: basic annual salary = basic annual salary base × position coefficient.

- (I) Basic annual salary base. Basic annual salary base is calculated on the basis of 2-2.5 times of the average wage level of the employees in post in the previous year (i.e. 2021). In view of the Company's completion of its annual targets in 2021 and the estimation of production and operation in 2022, the basic annual salary base of an executive Director in 2022 shall be RMB300,000.
- (II) Position coefficient. The position coefficient shall mainly consider factors including job responsibilities and risks of different positions, as detailed in the table below:

| No. | Position | Position Category | Position Coefficient |
|-----|----------------------------|-------------------|----------------------|
| 1 | Chairman | A | 1 |
| 2 | Vice Chairman | B | 0.9 |
| 3 | General Executive Director | C | 0.85 |

Article 7 Annual performance salary

The annual performance salary is an income linked to the Company's annual operating results and individual appointment and performance of duties. The formula is as follows:

Annual performance salary = (contract amount performance + operating revenue performance + total profit performance) × red line management penalty × duty performance coefficient

Among them, contract amount performance, operating revenue performance and total profit performance are determined in accordance with completion of indicators for the amount of contracts newly entered, operating revenue, and total profit respectively; red line management penalty is including safety, technology, legal affairs, corporate credit maintenance and economic management, and such item will not be involved without actions breaching red line management; duty performance coefficient is related to individual appointment and performance of duties of an executive Director and is subject to individual annual evaluation results.

Article 8 Special rewards (penalties)

Special rewards (penalties) are mainly for the executive Directors who have made particularly significant contributions to the development of the Company and have done particularly well in aspects such as corporate governance and strategic planning; or who have caused significant losses, negative impacts and

APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS

potential risks to the Company; or who are supposed to be given in addition to the annual salary (i.e., basic annual salary + annual performance salary, hereinafter the same) under other circumstances that the general meeting of the Company determines to give a special reward or penalty.

Article 9 Bonus

In accordance with the market practice of listed companies in Hong Kong, bonus is the remuneration that will be accrued for payment when the Company's annual target for total profit in 2022 is completed at or above 100%.

Article 10 Executive Directors shall not receive any salary income other than the annual salary from the Company, except for allowance in terms of official travel or others in accordance with related regulations.

CHAPTER 3 REMUNERATION EVALUATION

Article 11 Content of remuneration evaluation

The remuneration evaluation for executive Directors mainly focuses on annual performance salary and bonus, known as evaluation on annual performance salary and evaluation on bonus respectively, both of which are divided into annual operating results evaluation at the corporate level and annual performance evaluation of executive Directors at the individual level.

Article 12 Evaluation cycle

The remuneration evaluation of executive Directors shall take the fiscal year as the cycle, and implement an evaluation system that combines quantitative assessment with qualitative evaluation, unifies target assessment with comprehensive evaluation, and links evaluation results with rewards and penalties.

Article 13 Evaluation on annual performance salary

(I) INDICATORS AND RELATIVE BASIS

Evaluation on annual performance salary shall be to assess three indicators in relation to the amount of contracts newly entered, operating revenue and total profit at the consolidated level of the Company, red line management of the Company, as well as individual performance of executive Directors. The evaluation of the three indicators all shall be based on the annual target approved by the Company's general meeting, the statistical data of the Company's relevant departments as of 31 December (applicable to the amount of contracts newly entered) and the audited data from financial statements (applicable to the operating revenue and total profit). The evaluation of red line management penalty shall be based on the actual situation of the Company including safety, technology, legal affairs, corporate credit maintenance and economic management in 2022. The evaluation of individual performance of executive Director shall be based on his/her specific appointment and actual performance for duties.

APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS

(II) EVALUATION RESULTS AND PROVISIONS OF PERFORMANCE

The annual performance salary comprises contract amount performance, operating revenue performance and total profit performance, being related to the duty performance coefficient (see the formula stated in these Measures for details).

1. Contract amount performance, operating revenue performance and total profit performance

According to the completion of the amount of contracts newly entered, operating revenue and total profit, namely completion percentage, contract amount performance, operating revenue performance and total profit performance are provided under the calculation of interpolation method respectively. The minimum of completion percentage for all the three indicators is 70%, with a corresponding performance floor of RMB0; the maximum is 100%, with corresponding ceilings for contract amount performance of RMB135,000, operating revenue performance of RMB135,000 and total profit performance of RMB180,000; for a completion percentage over 70% but less than 100%, the performance of the corresponding indicator shall be accrued by the interpolation method.

| No. | Indicator | Minimum completion percentage | Minimum amount of performance (RMB'0000) | Maximum completion percentage | Maximum amount of performance (RMB'0000) |
|-----|-------------------|-------------------------------|--|-------------------------------|--|
| 1 | Contract amount | 70% | 0 | 100% | 13.5 |
| 2 | Operating revenue | 70% | 0 | 100% | 13.5 |
| 3 | Total profit | 70% | 0 | 100% | 18 |

If the annual total profit of the Company in 2022 is negative, in other words, a loss is incurred, the annual performance salary will not be accrued.

2. Evaluation on red line management penalty

Penalties shall be based on the actual situation of the Company in areas including safety, technology, legal affairs, corporate credit maintenance and economic management in 2022.

**APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION
AND EVALUATION FOR EXECUTIVE DIRECTORS**

3. Duty performance coefficient

The individual annual evaluation result of executive Directors can be divided into four categories, namely “Excellent”, “Good”, “Qualified” and “Unqualified”. The duty performance coefficient of a specific executive Director shall be determined separately and comprehensively based on his/her evaluation result within the scope and requirements of these Measures.

| No. | Position | Position Category | Duty Performance Coefficient |
|-----|----------------------------|-------------------|----------------------------------|
| 1 | Chairman | A | 1 |
| 2 | Vice Chairman | B | 0.9, 0.8, 0.7 |
| 3 | General Executive Director | C | 0.9, 0.8, 0.7, 0.6, below 0.5, 0 |

For general executive Directors:

- ① When the evaluation result is “Good” or above, a duty performance coefficient of 0.9, 0.8, 0.7 or 0.6 will be applied. Among them, the premise to be eligible for the grade of 0.9 is that upon the written report considered and approved by the Remuneration and Evaluation Committee, the Board and the general meeting of the Company, the extraordinarily excellent general executive Directors, based on their outstanding duty performance, are eligible for the grade of 0.9.
- ② When the evaluation result is “Qualified”, the duty performance coefficient is below 0.5.
- ③ When the evaluation result is “Unqualified”, the duty performance coefficient is 0.

Article 14 Evaluation on bonus

According to the completion of the Company’s total profit in 2022, where bonus meet the accrual criteria and make such provision, the evaluation on bonus shall be determined by referring to the individual annual evaluation result of executive Directors’ annual performance salary evaluation and taking various factors into consideration.

Total amount of bonus = (the Company’s actual total profit completed in 2022 - total annual target profit for 2022)* provision proportion, of which the provision proportion is 5% to 10%. Such total amount of bonus (if any) will be allocated to executive Directors and key personnel with a specific distribution plan formulated separately.

APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION AND EVALUATION FOR EXECUTIVE DIRECTORS

CHAPTER 4 PAYMENT OF REMUNERATION

Article 15 Basic annual salary

The basic annual salary of executive Directors is payable in full on a monthly basis during 2022. Before the approval of these Measures by the Company's general meeting, the payment shall be made in line with the Company's internal decisions. The Company shall make a refund for any overpayment or a supplemental payment for any deficiency to complete adjustments in a timely manner in the month following the approval of these Measures by the general meeting of the Company.

Article 16 Annual performance salary, special rewards (penalties) and bonus

The annual performance salary and special rewards (penalties) will make a one-off payment during 2023 based on the evaluation results under the principle of payment after assessment. The bonus (if any) will make a one-off payment during 2023 upon the resolution of the general meeting of the Company.

Article 17 Remuneration under special circumstances

- (I) For an executive Director whose position has been changed due to work arrangements, subject to the time of the resolution of the Company's general meeting or the Board, his/her annual salary during the year shall be calculated from (until) the month after the appointment (resignation).
- (II) For an executive Director who is unable to work normally due to illness, his/her basic salary shall be calculated and paid pursuant to the relevant national regulations, and the remaining annual salary shall be calculated and paid based on daily average amount of annual remuneration multiplying actual working days.
- (III) For an executive Director who ceases to serve in the Company, subject to the time of the resolution of the Company's general meeting or the Board, he/she shall not receive any remuneration of the Company from the month following his/her removal, except for annual performance salary and income payable according to the actual working months for his/her term of office during the year.

Article 18 Accounting treatment for annual salary

The annual salary of executive Directors shall be accounted for in accordance with the accounting standards to be followed by the Company.

Article 19 Others

- (I) Executive Directors shall pay individual income tax in accordance with the law.

**APPENDIX III 2022 ADMINISTRATIVE MEASURES ON REMUNERATION
AND EVALUATION FOR EXECUTIVE DIRECTORS**

- (II) If an executive Director is subject to disciplinary action by state-owned asset supervisory authorities and the relevant agency or departments, the relevant measures shall be implemented.
- (III) During the performance of an executive Director's duties, where he/she involves in a severe violation of the rules of integrity; or a severe violation of the Articles of Association or other rules of the Company resulting in a significant loss of the Company as management out of control; or serious accidents concerning safety liability, quality and environmental protection; or serious incident damaging the Company's image and reputation, part or all of his/her performance salary shall be deducted based on the extent of responsibility of the person responsible for the events, and he/she shall be subject to corresponding financial or legal liabilities under the relevant regulations.

CHAPTER 5 SUPPLEMENTARY PROVISIONS

Article 20 Adjustment mechanism

- (I) Considering market changes, the Remuneration and Evaluation Committee, the Board and the general meeting of the Company may assess the position values of executive Directors, obtain the latest market remuneration data, and retrospect, review and optimize the remuneration level in due course.
- (II) In the event of major national policy changes, the Company's major asset reorganization or disposal and other factors which have a significant impact on these Measures, adjustments and amendments may be made to these Measures.

Article 21 Implementation and interpretation

- (I) The formulation and amendment of these Measures shall be prepared by the Remuneration and Evaluation Committee and shall come into effect after the consideration and approval by the Board and the general meeting of the Company.
- (II) These Measures shall be interpreted by the Board.

NOTICE OF THE EGM



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)

NOTICE OF THE EXTRAORDINARY GENERAL MEETING

NOTICE IS HEREBY GIVEN that the extraordinary general meeting (the “EGM”) of YCIH Green High-Performance Concrete Company Limited (the “Company”) will be held at 3:30 p.m. on Friday, December 30, 2022 at Conference Room No. 908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC to consider and, if appropriate, approve, with or without amendments, the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meanings as defined in the circular of the Company dated December 8, 2022 (the “Circular”).

ORDINARY RESOLUTIONS

1. To consider and approve the appointment of Mr. Liu Zhumin as a non-executive Director of the second session of the Board;
2. To consider and approve the amendments to the 2022 Administrative Measures on Remuneration and Evaluation for Executive Directors;
3. To consider and approve:
 - (i) the entering into of the 2023 Financial Services Framework Agreement between the Company and YCIH Financial Company and the deposit services and the bills acceptance and discount services contemplated thereunder (including the proposed annual caps therefor); and
 - (ii) the Board and person(s) duly authorized by the Board, jointly or severally, doing, approving and implementing all such acts and things as he/she may in his/her discretion consider necessary or desirable in respect of this ordinary resolution no. 3;
4. To consider and approve:
 - (i) the entering into of the 2023 Products Sales Framework Agreement between the Company and YCIH and the transactions contemplated thereunder (including the proposed annual caps therefor); and

NOTICE OF THE EGM

- (ii) the Board and person(s) duly authorized by the Board, jointly or severally, doing, approving and implementing all such acts and things as he/she may in his/her discretion consider necessary or desirable in respect of this ordinary resolution no. 4;
5. To consider and approve:
- (i) the entering into of the 2023 Raw Materials, Products and Services Procurement Framework Agreement between the Company and YCIH and the transactions contemplated thereunder (including the proposed annual caps therefor); and
 - (ii) the Board and person(s) duly authorized by the Board, jointly or severally, doing, approving and implementing all such acts and things as he/she may in his/her discretion consider necessary or desirable in respect of this ordinary resolution no. 5;

SPECIAL RESOLUTION

6. To consider and approve the adjustments of business scope and the amendments to the Articles of Association.

Details of the resolutions proposed at the EGM are contained in the Circular, which is available on the website of the Stock Exchange (www.hkexnews.hk) and the website of the Company (www.ynhnt.com).

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

Kunming, China, December 8, 2022

As at the date of this notice, the Board comprises Mr. Li Zhangjian, Mr. Lu Jianfeng, Mr. Zhang Long and Ms. Hu Zhurong (employee Director) as executive Directors; Mr. Jiang Qian as a non-executive Director; and Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun as independent non-executive Directors.

Notes:

- i. To determine the list of Shareholders entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, December 23, 2022 to Friday, December 30, 2022 (both days inclusive), during which no transfer of Shares will be effected. Shareholders whose names appear on the register of members of the Company on Friday, December 30, 2022 shall be entitled to attend and vote at the EGM. To be entitled to attend and vote at the EGM, all transfer documents shall be delivered, no later than 4:30 p.m. on Thursday, December 22, 2022, to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or to the Board office of the Company, at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC (for holders of Domestic Shares).

NOTICE OF THE EGM

- ii. Each Shareholder entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his behalf. A proxy need not be a Shareholder. With respect to any Shareholder who has appointed more than one proxy, such proxies may only exercise their voting rights in a poll.
- iii. The form of proxy shall be signed by the appointer or his/her attorney duly authorized in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its legal representative, director or attorney duly authorized.
- iv. In order to be valid, the form of proxy must be deposited, for the Shareholders of H Shares, at the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or for the holders of Domestic Shares, at the Board office of the Company at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC not less than 24 hours prior to the holding of the EGM or any adjournment thereof. If the form of proxy is signed by another person under a power of attorney or other authorization documents given by the appointer, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the form of proxy, be deposited at the specified place at the time set out in such form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.
- v. Shareholders shall produce their identity documents and supporting documents in respect of the Shares held when attending the EGM. If Shareholders appoint an authorized representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the board of directors or other authorized persons of the Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their authorized representative(s) when attending the EGM.
- vi. The Company shall have the right to request the proxies attending the EGM on behalf of the Shareholders to produce their identity documents.
- vii. In the case of joint Shareholders, the vote cast by the senior Shareholder, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names of the relevant joint Shareholders stand on the register of members of the Company.

Pursuant to Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll except where the chairman decides to allow a resolution relating to a procedural or administrative matter to be voted on by a show of hands. Therefore, the resolutions set out in the notice of the EGM will be taken by poll.

The H Share Registrar, Computershare Hong Kong Investor Services Limited, is located at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong. Tel: +852 2862 8555, Fax: +852 2865 0990.

The contact details of the Board office of the Company are as follows:

Address: 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC

Tel: 0871-6318 7896

Fax: 0871-6331 3458