



雲建綠砼  
— GHPC —

# 雲南建投綠色高性能 混凝土股份有限公司

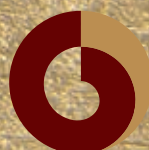
YCIH Green High-Performance Concrete Company Limited

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

Stock code: 1847

## GLOBAL OFFERING

Sole Sponsor and Sole Global Coordinator



CICC  
中金公司

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## IMPORTANT

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*If you are in any doubt about any of the contents of this prospectus, you should obtain independent professional advice.*



**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)*

#### **GLOBAL OFFERING**

<b>Number of Offer Shares</b>	<b>: 133,882,000 H Shares (subject to the exercise of the Over-allotment Option)</b>
<b>Number of Hong Kong Offer Shares</b>	<b>: 13,390,000 H Shares (subject to adjustment)</b>
<b>Number of International Offer Shares</b>	<b>: 120,492,000 H Shares (subject to adjustment and the exercise of the Over-allotment Option)</b>
<b>Maximum Offer Price</b>	<b>: HK\$3.51 per Offer Share, plus brokerage of 1.0%, SFC transaction levy of 0.0027% and Hong Kong Stock Exchange trading fee of 0.005% (payable in full on application in Hong Kong dollars, subject to refund)</b>
<b>Nominal value</b>	<b>: RMB1.00 per H Share</b>
<b>Stock code</b>	<b>: 1847</b>

#### *Sole Sponsor and Sole Global Coordinator*



Hong Kong Exchanges and Clearing Limited, The Stock Exchange of Hong Kong Limited and Hong Kong Securities Clearing Company Limited take no responsibility for the contents of this prospectus, 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 prospectus.

A copy of this prospectus, having attached thereto the documents specified in "Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection", has been registered by the Registrar of Companies in Hong Kong as required by Section 342C of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong). The Securities and Futures Commission and the Registrar of Companies in Hong Kong take no responsibility for the contents of this prospectus or any other documents referred to above.

The Offer Price is expected to be fixed by agreement between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and us on the Price Determination Date. The Price Determination Date is expected to be on or about Thursday, October 24, 2019 and, in any event not later than Wednesday, October 30, 2019. The Offer Price will be not more than HK\$3.51 per Offer Share and is currently expected to be not less than HK\$2.76 per Offer Share, unless otherwise announced. Applicants for Hong Kong Offer Shares are required to pay, upon application, the maximum Offer Price of HK\$3.51 for each Hong Kong Offer Share together with a brokerage fee of 1%, a SFC transaction levy of 0.0027% and a Hong Kong Stock Exchange trading fee of 0.005%, subject to refund if the Offer Price as finally determined is less than HK\$3.51 per Offer Share. If, for any reason, the Offer Price is not agreed by Wednesday, October 30, 2019 between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and us, the Global Offering will not proceed and will lapse.

The Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) with our consent may, where it considers appropriate, reduce the number of Hong Kong Offer Shares and/or the indicative Offer Price range below that is stated in this prospectus (which is HK\$2.76 to HK\$3.51) at any time prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, notices of the reduction in the number of Hong Kong Offer Shares and/or the indicative Offer Price range will be published in the South China Morning Post (in English) and the Hong Kong Economic Times (in Chinese) as soon as practicable following the decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notices will also be available on the website of our Company at [www.ynhnt.com](http://www.ynhnt.com) and on the website of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk). For details, please refer to the sections headed "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares".

We are incorporated, and most of our businesses are operated, in the PRC. Potential investors should be aware of the differences in legal, economic and financial systems between the PRC and Hong Kong and that there are different risk factors relating to investments in PRC-incorporated businesses. Potential investors should also be aware that the regulatory framework in the PRC is different from the regulatory framework in Hong Kong and should take into consideration the different market nature of the H Shares. Such differences and risk factors are set out in the sections headed "Risk Factors", "Appendix IV – Summary of Principal Legal and Regulatory Provisions" and "Appendix V – Summary of the Articles of Association". Potential investors should consider carefully all the information set out in this prospectus and, in particular, the matters discussed in the abovementioned sections.

The obligations of the Hong Kong Underwriter under the Hong Kong Underwriting Agreement are subject to termination by the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) if certain grounds arise prior to 8:00 a.m. on the Listing Date. Such grounds are set out in the section headed "Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Grounds for Termination". It is important that you refer to that section for further details.

The Offer Shares have not been and will not be registered under the U.S. Securities Act and may not be offered or sold, pledged or transferred within the United States, except in transactions exempt from, or not subject to, the registration requirements of the U.S. Securities Act. The Offer Shares are being offered and sold outside the United States in offshore transactions in reliance on Regulation S under the U.S. Securities Act.

October 21, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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Latest time to complete electronic applications under <b>White Form eIPO</b> service through the designated website <b>www.eipo.com.hk</b> <sup>(2)</sup> . . . . .	11:30 a.m. on Thursday, October 24, 2019
Application lists of the Hong Kong Public Offering open <sup>(3)</sup> . . . . .	11:45 a.m. on Thursday, October 24, 2019
Latest time for lodging <b>WHITE</b> and <b>YELLOW</b> Application Forms . . . . .	12:00 noon on Thursday, October 24, 2019
Latest time for giving <b>electronic application instructions</b> to HKSCC <sup>(4)</sup> . . . . .	12:00 noon on Thursday, October 24, 2019
Latest time for completing payment of <b>White Form eIPO</b> applications by effecting internet banking transfer(s) or PPS payment transfer(s) . . . . .	12:00 noon on Thursday, October 24, 2019
Application lists of the Hong Kong Public Offering close . . . . .	12:00 noon on Thursday, October 24, 2019
Expected Price Determination Date <sup>(5)</sup> . . . . .	Thursday, October 24, 2019

(1) Announcement of:

- the Offer Price;
- an indication of the level of interest in the International Offering;
- the level of applications in the Hong Kong Public Offering; and
- the basis of allocation of the Hong Kong Offer Shares

to be published in South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and on the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.ynhnt.com**<sup>(6)</sup> on or before . . . . . Wednesday, October 30, 2019

- (2) Announcement of results of allocations in the Hong Kong Public Offering (including successful applicants' identification document numbers, where appropriate) to be available through a variety of channels including the websites of the Hong Kong Stock Exchange at **www.hkexnews.hk** and our Company at **www.ynhnt.com**<sup>(6)</sup> (Please refer to the section headed "How to Apply for the Hong Kong Offer Shares – 11. Publication of Results") from . . . . . Wednesday, October 30, 2019

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (3) A full announcement of the Hong Kong Public Offering containing (1) and (2) above to be published on the websites of the Hong Kong Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk)<sup>(7)</sup> and our Company at [www.ynhnt.com](http://www.ynhnt.com)<sup>(6)</sup> from . . . . . Wednesday, October 30, 2019

Results of allocations for the Hong Kong Public Offering will be available at [www.iporeresults.com.hk](http://www.iporeresults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) (with a “search by ID” function) . . . . . Wednesday, October 30, 2019

H Share certificates in respect of wholly or partially successful applications to be dispatched on or before<sup>(8)(9)</sup> . . Wednesday, October 30, 2019

White Form e-Refund payment instructions/refund cheques in respect of wholly or partially unsuccessful applications to be dispatched on or before<sup>(10)(11)</sup> . . . . . Wednesday, October 30, 2019

Dealings in H Shares on the Hong Kong Stock Exchange to commence at . . . . . 9:00 a.m. on Thursday, October 31, 2019

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*Notes:*

- (1) All times and dates refer to Hong Kong local times and dates, except otherwise stated. Details of the structure of the Global Offering, including conditions of the Hong Kong Public Offering, are set out in the section headed “Structure of the Global Offering”.
- (2) You will not be permitted to submit your application through designated website at [www.eipo.com.hk](http://www.eipo.com.hk) after 11:30 a.m. on the last day for submitting applications. If you have already submitted your application and obtained an application reference number from the designated website prior to 11:30 a.m., you will be permitted to continue the application process (by completing payment of application monies) until 12:00 noon on the last day for submitting applications, when the application lists close.
- (3) If there is a tropical cyclone warning signal number 8 or above or a “black” rainstorm warning and/or any of the Extreme Conditions is in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 24, 2019, the application lists will not open on that day. Please refer to the section headed “How to Apply for the Hong Kong Offer Shares – 10. Effect of Bad Weather on the Opening of the Application Lists”. If the application lists do not open and close on Thursday, October 24, 2019, the dates mentioned in this section may be affected. We will make an announcement in such event.
- (4) Applicants who apply for Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC should refer to the section headed “How to Apply for the Hong Kong Offer Shares – 6. Applying by Giving Electronic Application Instructions to HKSCC via CCASS”.
- (5) The Price Determination Date, being the date on which the Offer Price is to be determined, is expected to be on or about Thursday, October 24, 2019, and in any event no later than Wednesday, October 30, 2019. If, for any reason, the Offer Price is not agreed on or before Wednesday, October 30, 2019, the Global Offering (including the Hong Kong Public Offering) will not proceed and will lapse.
- (6) None of the websites or any of the information contained on the websites forms part of this prospectus.
- (7) The announcement will be available for viewing on the Hong Kong Stock Exchange’s website [www.hkexnews.hk](http://www.hkexnews.hk).

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## EXPECTED TIMETABLE<sup>(1)</sup>

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- (8) No temporary documents of title will be issued in respect of the Offer Shares. H Share certificates will only become valid certificates of title at 8:00 a.m. on Thursday, October 31, 2019 provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with its terms. Investors who trade H Shares on the basis of publicly available allocation details prior to the receipt of share certificates or prior to the share certificates becoming valid certificates of title do so entirely at their own risk.
- (9) Applicants who apply for 1,000,000 or more Hong Kong Offer Shares and have provided all required information may collect refund cheques (where applicable) and H Share certificates (where applicable) in person from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 30, 2019. Applicants being individuals who are eligible for personal collection must not authorize any other person to make collection on their behalf. Applicants being corporations who are eligible for personal collection must attend by their authorized representatives each bearing a letter of authorization from his corporation stamped with the corporation's chops. Both individuals and authorized representatives (if applicable) must produce, at the time of collection, evidence of identity acceptable to our H Share Registrar. Uncollected refund cheques and H Share certificates will be dispatched promptly by ordinary post to the addresses as specified in the applicants' Application Forms at the applicants' own risk. Details of the arrangements are set out in the section headed "How to Apply for the Hong Kong Offer Shares".
- (10) Applicants who apply through the **White Form eIPO** service and paid their application monies through single bank accounts may have refund monies (if any) dispatched to the application payment bank account, in the form of e-Refund payment instructions. Applicants who apply through the **White Form eIPO** service and paid their application monies through multiple bank accounts may have refund monies (if any) dispatched to the address as specified in their application instructions through the **White Form eIPO** service, in the form of refund cheques, by ordinary post at their own risk.
- (11) e-Refund payment instructions or refund cheques will be issued in respect of wholly or partially unsuccessful applications and in respect of wholly or partially successful applications if the Offer Price is less than the price per Offer Share payable on application.

The above expected timetable is a summary only. You should read carefully the sections headed "Underwriting", "Structure of the Global Offering" and "How to Apply for the Hong Kong Offer Shares" for details relating to the structure of the Global Offering, procedures on the applications for Hong Kong Offer Shares and the expected timetable, including conditions, effect of bad weather and the dispatch of refund cheques and H Share certificates.

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### IMPORTANT NOTICE TO INVESTORS

*This prospectus is issued by YCIH Green High-Performance Concrete Company Limited, solely in connection with the Hong Kong Public Offering and the Hong Kong Offer Shares and does not constitute an offer to sell or a solicitation of an offer to buy any security other than the Hong Kong Offer Shares. This prospectus may not be used for the purpose of, and does not constitute, an offer to sell or a solicitation of an offer to buy in any other jurisdiction or in any other circumstances. No action has been taken to permit a public offering of the Offer Shares or the distribution of this prospectus in any jurisdiction other than Hong Kong. The distribution of this prospectus and the offering and sale of the Offer Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom.*

*You should rely only on the information contained in this prospectus and the Application Forms to make your investment decision. We have not authorized anyone to provide you with information that is different from what is contained in this prospectus. Any information or representation not included in this prospectus must not be relied on by you as having been authorized by us, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of our or their respective directors, officers, advisors or representatives, or any other person or party involved in the Global Offering. Information contained in our website, located at [www.ynhnt.com](http://www.ynhnt.com), does not form part of this prospectus.*

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## SUMMARY

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*This summary aims to give you an overview of the information contained in this prospectus. As this is a summary, it does not contain all the information that may be important to you and is qualified in its entirety by, and should be read in conjunction with, the full text of this prospectus. You should read this prospectus in its entirety including the appendices hereto, which constitute an integral part of this prospectus, before you decide to invest in our H Shares.*

*There are risks associated with any investment. Some of the particular risks in investing in our H Shares are set out in the section headed “Risk Factors”. You should read that section carefully before you decide to invest in our H Shares.*

### OVERVIEW

We are a leading ready-mixed concrete producer in China with strong research and development capabilities according to the CIC Report. With our accumulated technological expertise, continuous effort in research and innovation, as well as advanced management capability, we have become the first concrete producer in Yunnan Province to introduce modernized, scientific and environmentally-friendly manufacturing concepts into our production.

We are the largest ready-mixed concrete producer in Yunnan Province in terms of production volume in 2018 according to the CIC Report, with a market share of 14.9% in Yunnan Province. We are also one of the top ten (in the sixth place) ready-mixed concrete producers in China in terms of production volume in 2018. We produce and supply ready-mixed concrete and related construction materials as well as provide quality and technology management services to our customers.

Headquartered in Kunming, we have built an extensive production and sales network covering the vast majority of the prefectures and cities in Yunnan Province which complements the construction of “Five Networks” promoted by Yunnan Provincial Government. As of the Latest Practicable Date, we operated 57 concrete batching plants, with 12 batching plants serving regional markets and 45 batching plants designated to serve specific construction projects.

Our core competitive strength lies in our strong capabilities in research and development, technologies in production and application of high-performance concrete and a series of high-performance concrete products. Subject to the different characteristics of raw materials, different types of construction projects, different structural position applied and different environmental conditions, we are devoted to enhancing the performance of our concrete by optimizing the raw materials, adjusting the mixing proportion, refining production process as well as providing our enhanced technological support services. Normally the construction of highways, railways, airports, hydraulic infrastructures, ultra-high buildings and major urban infrastructure facilities requires high-performance concrete produced in a technologically-advanced and environmentally-friendly manner. In particular, the concrete must have better performance in workability, strength, durability as well as environmentally-friendly characteristic and longer service lifespan as compared to those used in the construction of regular buildings or other structures. As such, it imposes high requirements on the supplier of

## SUMMARY

high-performance concrete in terms of production capacity, technical strengths and production management. Over the years, we have provided our high-performance concrete to many significant construction projects across Yunnan Province.

We are the first concrete producer in Yunnan Province to have obtained the three-in-one management system certification of GB/T19001, GB/T24001 and GB/T28001, and the China Environmental Labeling Product Certification. We are also one of the few concrete producers in Yunnan Province that have passed the inspection on clean production, and obtained the certifications on energy management system and the safety production standardization. In addition, we are among the first batch being accredited with “three-star” rating in the Green Building Materials Star Rating in Yunnan Province. Over the years, we believe we have contributed to promoting green and low-carbon development of the industry. Attributable to years of research and development efforts, our multiple core technologies have achieved the national advanced level, which enable us to recycle the waste materials, such as debris flow river sand, phosphorus slag, slag powder, coal ash, stone chips and metakaolin for our concrete production, and lead the technology advancement and the green and low-carbon development of the Yunnan concrete industry.

Over the years, our achievements in the industry have been recognized both nationally and in Yunnan Province: (i) we have been recognized as one of “China’s Top Ten Ready-Mixed Concrete Enterprise (中國預拌混凝土企業十強)” for 2016 and one of “China’s Top Ten Commercial Concrete Enterprise (中國商品混凝土企業十強)” for 2017 and 2018; (ii) in 2017, we were accredited as a High-tech Enterprise; (iii) in 2017 and 2018, our credit rating was recognized as “AAA” by the Enterprise Credit Association of Yunnan Province (雲南省企業信用促進會); (iv) our products were recognized as one of “Yunnan’s Famous Brands (雲南名牌)” in 2016; (v) we have the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站); and (vi) we have won more than 10 science and technology awards at the national or provincial level.

Our principal businesses include the production and sale of ready-mixed concrete, polycarboxylic admixtures and aggregates, as well as the provision of concrete-related quality and technology management services. The following table sets forth our revenue breakdown by the products and services for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
<b>Revenue</b>					
Ready-mixed concrete	2,374,563	3,068,086	3,294,261	1,053,681	914,410
Polycarboxylic admixtures	17,399	30,267	38,336	11,460	10,833
Aggregates	12,623	13,738	15,027	4,777	7,197
Quality and Technology Management Service	–	–	9,493	–	5,547
<b>Total</b>	<b>2,404,585</b>	<b>3,112,091</b>	<b>3,357,117</b>	<b>1,069,918</b>	<b>937,987</b>

For more details of our business, please refer to the section headed “Business”.

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## SUMMARY

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### PRODUCTION FACILITIES, CAPACITY AND UTILIZATION

Based on the demands of the surrounding market, we have two types of batching plants: regional batching plants that serve certain regional markets, and project batching plants that serve certain projects. As of the Latest Practicable Date, we operated 57 concrete batching plants, including 12 regional batching plants and 45 project batching plants. As of the Latest Practicable Date, all of our batching plants were located in Yunnan Province. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the production capacity of our batching plants was approximately 12.4 million cubic meters, 19.7 million cubic meters, 21.3 million cubic meters and 7.6 million cubic meters, respectively, and the average utilization rate was approximately 61.9%, 45.1%, 43.0% and 33.7%, respectively. The utilization rate is calculated by dividing the production volume of concrete produced in that year or period by the designed production capacity for the same year or period.

Our main polycarboxylic admixtures production facility includes one polymerization production line. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the production capacity of our polycarboxylic admixture production line was 18,800.0 tonnes, 18,800.0 tonnes, 18,800.0 tonnes and 6,270.0 tonnes, respectively, and the average utilization rate was approximately 47.9%, 63.3%, 67.0% and 57.7%, respectively.

As of the Latest Practicable Date, our main aggregates production facilities that we own included two aggregates production lines. For the years ended December 31, 2016, 2017, 2018 and the four months ended April 30, 2019, the production capacity of our aggregates production lines was 1.4 million tonnes, 1.4 million tonnes, 0.7 million tonnes and 0.1 million tonnes, respectively, and the average utilization rate was approximately 85.0%, 93.3%, 94.5% and 11.9%, respectively. As of the Latest Practicable Date, our aggregates production lines were leased to one Independent Third Party. The lease agreement commenced from February 21, 2019 till June 30, 2020. During the lease period, the lessee is entitled to use the aggregates production lines, and responsible for the maintenance and custody of the production equipment. We do not participate in the lessee's production process. The rental charges are calculated based on the volume of aggregates produced by the production lines, and will be settled on a monthly basis. Any rental income recognized will be accounted as other income in our accounts. Pursuant to a debt offsetting agreement between the lessee and us, the rental charges from February to June 2019 were offset by the management service fees owed by us to the lessee for the management services it provided.

During the Track Record Period, a large proportion of the aggregates that we used as our raw materials were purchased externally, while only a small proportion were self-produced. In 2016, 2017, 2018 and the four months ended April 30, 2019, we purchased approximately 11.0 million tonnes, 15.2 million tonnes, 16.1 million tonnes and 4.7 million tonnes of aggregates, respectively, from external suppliers, accounting for approximately 91.3%, 92.8%, 97.4% and 99.7% of the aggregates we procured during the respective period. After the lease of our self-owned aggregates production lines, we may continue to procure the aggregates from external suppliers. Please refer to the section headed "Business – Suppliers" for more details on the procurement of our raw material. Considering that (i) the aggregates produced by these

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## SUMMARY

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two production lines leased to the Independent Third Party only accounted for a small portion of the aggregates we procured for our production during the Track Record Period; and (ii) we already have a procurement policy in place for procurement of aggregates externally, we do not expect the leasing of the aggregates production lines to third parties would have any material adverse impact on our business operations or financial performance.

### SALES AND CUSTOMERS

Competitive negotiation is our main approach to obtain orders. Occasionally, we also participate in bidding and tendering process for sale of our ready-mixed concrete. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we participated in tender process and submitted bids for three, 11, 30 and 26 projects, respectively, and the tender success rates (calculated as the total number of projects that we secured through the tender process to the total number of projects that we participated in the tender process and bid for) were 33.3%, 27.3%, 40.0% and 38.5%, respectively. From May 1, 2019 and up to June 30, 2019, we participated in and submitted bids for five projects, and the tender success rate was 20.0%.

We are devoted to building a broad and well-established customer base in China. Our major customers include state-owned real estate developers, construction companies and infrastructure investment vehicles. In 2018, we had cooperative relationships with 92 group customers, among which 19 were customers from previous years, who contributed 84.6% of our revenue in 2018. For the four months ended April 30, 2019, we boasted cooperative relationships with 49 group customers. Among them, 13 were group customers from previous years, accounting for 80.1% of our revenue for the four months ended April 30, 2019. As of the Latest Practicable Date, the length of our cooperative relationships with these 13 customers ranged from one to 12 years. Our cooperative relationships with these customers enable us to secure stable and large-scale orders.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, sales to our top five customers amounted to RMB2,155.6 million, RMB2,814.0 million, RMB2,798.5 million and RMB737.7 million, accounting for approximately 89.6%, 90.4%, 83.4% and 78.6% of our total revenue, respectively. Among them, sales to our largest customer, YCIH Group, accounted to approximately 81.4%, 84.1%, 73.3% and 61.5%, respectively, of our total revenue in 2016, 2017, 2018 and the four months ended April 30, 2019. For more details, please refer to the section headed “Business – Sales and Marketing – Customers”.

### BACKLOG AND NEW CONTRACT VALUE

#### Backlog

Backlog represents our estimate of the contract value of products or services that remain to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming that the contract is performed

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## SUMMARY

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in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles. Our backlog for ready-mixed concrete, as of December 31, 2016, 2017 and 2018 and April 30, 2019 were RMB2,127.8 million, RMB2,668.4 million, RMB2,625.6 million and RMB2,585.3 million, respectively, among which the backlog attributable to YCIH Group amounted to RMB1,900.1 million, RMB2,336.6 million, RMB1,906.5 million and RMB1,681.2 million, respectively; and the backlog attributable to Independent Third Parties amounted to RMB227.7 million, RMB331.8 million, RMB719.1 million and RMB904.1 million, respectively.

### **New Contract Value**

New contract value represents the aggregate value of contracts that we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total new contract value (tax-exclusive) for ready-mixed concrete was RMB3,527.2 million, RMB3,800.5 million, RMB3,456.0 million and RMB993.1 million, respectively.

### **RAW MATERIALS AND SUPPLIERS**

Raw materials that we use in our business primarily include binding materials (such as cement, slag powder, coal ash and compound mineral additives), aggregates and admixtures (such as the polycarboxylic admixtures, the naphthalene admixtures, expansive agent and fiber) in concrete production. In the production of polycarboxylic admixtures, the major raw materials include HPEG (甲基烯丙醇聚氧乙烯醚), acroleic acid, mercaptopropionic acid, vitamin C and hydrogen peroxide. We carry out polycarboxylic admixtures and aggregates production activities to meet some of our internal production demand, and purchase the rest of polycarboxylic admixtures, aggregates and other raw materials from third parties.

The raw materials that we purchase externally are generally supplied by our qualified PRC suppliers. The prices of our raw materials are sensitive to the market fluctuations, especially the price of cement and aggregates. The procurement department of our Group is responsible for the centralized management of the procurement of raw materials. We conduct periodic review of our raw material suppliers on an annual basis.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total purchase from suppliers amounted to RMB1,820.4 million, RMB2,476.7 million, RMB2,752.3 million and RMB803.2 million, respectively, and the purchase amount from our top five suppliers for raw materials accounted for 21.0%, 19.2%, 13.3% and 13.1% of our purchases, respectively. In 2016, 2017 and 2018 and the four months ended April 30, 2019, the purchase costs for raw materials attributable to our largest supplier, YCIH Group, accounted for 11.0%, 9.8%, 6.1% and 3.5% of our total purchases, respectively. As of the Latest Practicable Date, the length of our cooperative relationships with our top five suppliers during the Track Record Period ranged from one to 12 years.

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## SUMMARY

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### RESEARCH AND DEVELOPMENT

According to the CIC Report, we are the market leader in the ready-mixed concrete industry in the PRC, and are also one of the top ten (in the sixth place) ready-mixed concrete producers in China in terms of the production volume in 2018. We believe that our strong research and development capabilities are integral to our leading market position as well as the key to our sustainable development and maintaining the market position.

Over the years, we have focused on the technologies of concrete production and have accumulated extensive research and development experience. As of the Latest Practicable Date, we had three provincial-level research and development platforms: the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站). As of the Latest Practicable Date, we had obtained seven invention patents, 32 utility model patents, and two software copyrights. We have also won over ten provincial or ministry-level technology awards, such as China's Top Ten Ready-Mixed Concrete Enterprises (中國預拌混凝土企業十強).

### ENVIRONMENTAL MATTERS

We take environmental protection seriously and consider that our products are green high-performance concrete which is produced in an environmentally-friendly manner. As of the Latest Practicable Date, the products of five of our batching plants were accredited with “three-star” rating and two were accredited with “two-star” rating in the Green Building Materials Star Rating. We aim to reduce the energy and resources consumption as well as emissions. To make our products and production process green, we make use of our strong research and development capabilities and developed a series of technologies. During our production process, we utilize industrial waste such as coal ash, GGBFS and compound mineral additives, as additives of our green high-performance concrete. The use of industrial waste may enhance the performance of our concrete as well as reduce the use of cement, conserve energy and reduce carbon emission.

### COMPETITIVE STRENGTHS

We believe the following strengths contribute to our success and differentiate us from our competitors:

- We are the leading concrete producer in Yunnan Province with a dominant market position.
- We are well positioned to seize the remarkable growth opportunities in the infrastructure industry in Yunnan Province as well as the expanding market potential in Southeast Asia.

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## SUMMARY

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- Our strong and leading technology capabilities have enabled us to become the first to achieve green production of concrete and won us a prestigious reputation in the industry.
- Our high-performance concrete products enable us to focus on infrastructure markets with higher entry barriers and higher profitability.
- We have the most extensive production and sales network in Yunnan Province. Coupled with our strong production organization and management, we are able to secure a massive and stable supply of concrete.
- We have a dedicated and experienced professional management team and employees.

For more details of our strengths, please refer to the section headed “Business – Our Competitive Strengths”.

### **BUSINESS STRATEGIES**

To continue to grow our business, we intend to implement the following business strategies:

- Strengthen our leading market position in Yunnan Province by expanding and optimizing our production capacity;
- Enhance our sales and marketing capabilities and expand our sales network;
- Further lower our production cost and optimize operational efficiency; and
- Continuously enhance our capability in scientific research and development and technological innovation.

For more details of our strategies, please refer to the section headed “Business – Our Development Strategies”.

## SUMMARY

### SUMMARY OF HISTORICAL FINANCIAL INFORMATION

The following table sets forth the summary of our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
<b>Revenue</b>	2,404,585	3,112,091	3,357,117	1,069,918	937,987
Cost of sales	<u>(2,009,605)</u>	<u>(2,708,304)</u>	<u>(2,997,649)</u>	<u>(968,729)</u>	<u>(852,340)</u>
<b>Gross profit</b>	<u>394,980</u>	<u>403,787</u>	<u>359,468</u>	<u>101,189</u>	<u>85,647</u>
Selling expenses	(7,975)	(15,368)	(14,407)	(4,500)	(3,580)
Administrative expenses	(90,025)	(108,287)	(114,553)	(30,827)	(32,847)
Net impairment losses on financial assets	(16,356)	(4,303)	(11,870)	(3,123)	(2,078)
Other income	9,401	2,604	5,221	655	512
Other (losses)/gains – net	<u>(3,683)</u>	<u>(1,821)</u>	<u>814</u>	<u>(15)</u>	<u>(698)</u>
<b>Operating profit</b>	<u>286,342</u>	<u>276,612</u>	<u>224,673</u>	<u>63,379</u>	<u>46,956</u>
Finance income	623	1,130	1,147	407	282
Finance costs	<u>(24,213)</u>	<u>(6,269)</u>	<u>(8,738)</u>	<u>(3,051)</u>	<u>(3,816)</u>
Finance costs – net	<u>(23,590)</u>	<u>(5,139)</u>	<u>(7,591)</u>	<u>(2,644)</u>	<u>(3,534)</u>
<b>Profit before income tax</b>	262,752	271,473	217,082	60,735	43,422
Income tax expense	<u>(66,935)</u>	<u>(52,379)</u>	<u>(37,633)</u>	<u>(10,511)</u>	<u>(7,347)</u>
<b>Profit for the year/period</b>	<u>195,817</u>	<u>219,094</u>	<u>179,449</u>	<u>50,224</u>	<u>36,075</u>

During the Track Record Period, we generated our revenue from sale of ready-mixed concrete, polycarboxylic admixtures, aggregates and provision of quality and technology management services, of which the sale of ready-mixed concrete accounted for most of our revenue. Our revenue increased from RMB2,404.6 million in 2016 to RMB3,112.1 million in 2017 and further to RMB3,357.1 million in 2018, representing a CAGR of approximately 18.2%, which was primarily due to the increase in sales volume of ready-mixed concrete as well as the increase in the average price of ready-mixed concrete driven by the increased price of raw materials (mainly cement). Our total revenue decreased by 12.3% to RMB938.0 million for the four months ended April 30, 2019 from RMB1,069.9 million for the four months ended April 30, 2018, primarily due to the decrease in the sales volume of ready-mixed concrete.

Our selling expenses primarily consist of remuneration for sales staff, provision for estimated product quality assurance losses, travel expenses, marketing and promotion fees. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our selling expenses amounted to RMB8.0 million, RMB15.4 million, RMB14.4 million and RMB3.6 million, respectively, representing 0.3%, 0.5%, 0.4% and 0.4% of our total revenue for the same period, respectively. Our selling expenses decreased by 6.3% to RMB14.4 million for the year ended December 31, 2018 from RMB15.4 million for the year ended December 31, 2017, primarily because we provided for estimated loss for product quality in 2017 due to a



## SUMMARY

dispute with the customer over product quality after the delivery of the product, while no similar provision was made in 2018. Our selling expenses increased by 92.7% to RMB15.4 million for the year ended December 31, 2017 from RMB8.0 million for the year ended December 31, 2016, primarily due to the significant increase in the remuneration of our sales and marketing staff and we made a provision in 2017 for an estimated loss in connection with a dispute with the customer over product quality after the delivery of the product, whereas no similar provision was made in 2016. The remuneration system of our sales and marketing staff is closely linked to, among other indicators, our production volume and their performance in collecting account receivables, and we achieved increased production volume and better financial performance in 2017 as compared with 2016, which resulted in an significant increase in the remuneration of our sales and marketing staff.

For the four months ended April 30, 2019, our profit for the period decreased by 28.2% to RMB36.1 million from RMB50.2 million for the four months ended April 30, 2018, primarily due to the decrease in our revenue, resulting from the decrease in the sales volume of ready-mixed concrete which was attributable to the fact that a number of large scale infrastructure construction projects undertaken by our customers were close to completion while the new highway projects had not yet reached the phase demanding high volume of concrete supply. During 2018, we had profit for the year of RMB179.4 million, representing a decrease of 18.1% from 2017, primarily due to our decreased overall gross profit as well as the increase in our net impairment losses on financial assets as a result of increased trade receivables along with our business expansion. Our profit for the year increased by 11.9% to RMB219.1 million in 2017 from RMB195.8 million in 2016, primarily due to the overall increase in gross profit as well as the decrease in both our net impairment losses on financial assets as a result of collection of long-aging trade receivables with related parties and our finance costs as a result of the settlement of borrowings with YNJG in 2016.

The following table sets out the summary of our consolidated statements of financial position for the periods indicated:

	As of December 31,			As of
	2016	2017	2018	April 30,
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Non-current assets	333,945	332,665	294,277	264,365
Current assets	1,907,475	2,461,938	2,865,083	2,917,163
<b>Total assets</b>	<b>2,241,420</b>	<b>2,794,603</b>	<b>3,159,360</b>	<b>3,181,528</b>
Non-current liabilities	30,861	36,420	23,984	19,484
Current liabilities	1,571,661	1,949,645	2,180,379	2,440,984
<b>Total liabilities</b>	<b>1,602,522</b>	<b>1,986,065</b>	<b>2,204,363</b>	<b>2,460,468</b>
<b>Net current assets<sup>(1)</sup></b>	<b>335,814</b>	<b>512,293</b>	<b>684,704</b>	<b>476,179</b>
<b>Net assets<sup>(2)</sup></b>	<b>638,898</b>	<b>808,538</b>	<b>954,997</b>	<b>721,060</b>
<b>Total equity and liabilities</b>	<b>2,241,420</b>	<b>2,794,603</b>	<b>3,159,360</b>	<b>3,181,528</b>

*Notes:*

1. Net current assets equal to the total current assets less the total current liabilities.
2. Net assets equal to the total assets less the total liabilities. Our net assets decreased by 24.5% to RMB721.1 million as of April 30, 2019 from RMB955.0 million as of December 31, 2018, primarily due to the dividend declared by us during the four months ended April 30, 2019.

## SUMMARY

The following table sets out an overview of our cash flows for the periods indicated:

	As of December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
Net cash generated from/(used in) operating activities	246,300	27,130	96,525	(71,041)	73,300
<i>Operating cash flows before movements in working capital</i>	<i>375,804</i>	<i>372,907</i>	<i>339,575</i>	<i>100,761</i>	<i>82,105</i>
Net cash used in investing activities	(45,243)	(34,296)	(44,247)	(7,437)	(12,424)
Net cash generated from/(used in) financing activities	66,521	38,652	(144,053)	(38,545)	1,996
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>267,578</b>	<b>31,486</b>	<b>(91,775)</b>	<b>(117,023)</b>	<b>62,872</b>
Cash and cash equivalents at the beginning of the year/period	32,737	300,315	331,801	331,801	240,026
<b>Cash and cash equivalents at the end of the year/period</b>	<b><u>300,315</u></b>	<b><u>331,801</u></b>	<b><u>240,026</u></b>	<b><u>214,778</u></b>	<b><u>302,898</u></b>

We generated cash inflows from operating activities for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. During the Track Record Period, our net cash generated from operating activities was primarily affected by the fluctuation in (i) our trade and other receivables as a result of the fluctuation in the sales volumes of our ready-mixed concrete; and (ii) our trade and other payables as a result of business expansion. We recorded cash outflows from operating activities for the four months ended April 30, 2018, primarily due to (i) the significant increase of trade receivables resulting from the low collection during the four months ended April 30, 2018, and (ii) the increase in our settlement of trade payables with our suppliers during the same period in order to optimize our asset structure and reduce the operational risks.

During the Track Record Period, we experienced fluctuations in our net cash generated from operating activities: (i) our net cash generated from operating activities for the four months ended April 30, 2019 increased by RMB144.3 million from the four months ended April 30, 2018, primarily due to our less payment of trade payables and achievement in the collection of accounts receivables; (ii) the net cash generated from operating activities in 2018 increased by RMB69.4 million or 255.8% from 2017, primarily due to our achievement in better collection of accounts receivables; and (iii) the net cash generated from operating

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## SUMMARY

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activities in 2017 decreased by RMB219.2 million or 89.0% from 2016, primarily due to the increase of cash expenditures as a result of settlement of trade and other payables along with our business expansion.

### LISTING EXPENSES

By the completion of the Global Offering, we expect to incur listing expense of approximately RMB77.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions, maximum discretionary incentive fees, where applicable), of which approximately RMB0.3 million and RMB0.3 million have been recognized as our administrative expenses for the year ended December 31, 2018 and for the four months ended April 30, 2019, respectively; an estimated amount of approximately RMB4.2 million will be recognized as our administrative expenses; and an estimated amount of approximately RMB73.0 million will be recognized directly in equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2019.

### SHAREHOLDING STRUCTURE AND CONTROLLING SHAREHOLDERS

As of the Latest Practicable Date, YCIH and YOIC (a wholly-owned subsidiary of YCIH) together held approximately 89.65% of our entire issued share capital. Immediately after the completion of the Global Offering, YCIH and YOIC together will hold approximately 62.75% of our enlarged issued share capital (assuming the Over-allotment Option is not exercised). Therefore, immediately after the completion of the Global Offering, YCIH and YOIC will continue to be our Controlling Shareholders.

YCIH has entered into a non-competition agreement with our Company dated September 25, 2019, pursuant to which, YCIH has made a non-competition commitment to our Company. For more details, please refer to the section headed “Relationship with our Controlling Shareholders”.

### GLOBAL OFFERING AND GLOBAL OFFERING STATISTICS

	<b>Based on an Offer Price of HK\$2.76 per H Share</b>	<b>Based on an Offer Price of HK\$3.51 per H Share</b>
Market capitalization of our H Shares <sup>(1)</sup>	HK\$369,514,320	HK\$469,925,820
Market capitalization of our Shares <sup>(2)</sup>	HK\$1,231,710,720	HK\$1,566,414,720
Unaudited pro forma adjusted net tangible assets per Share <sup>(3)</sup>	HK\$2.37	HK\$2.60

*Notes:*

- (1) The calculation of market capitalization is based on the assumption that 133,882,000 H Shares will be in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).

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- (2) The calculation of market capitalization is based on the assumption that 446,272,000 Shares will be in issue immediately following the completion of the Global Offering (assuming that the Over-allotment Option is not exercised).
- (3) The unaudited pro forma adjusted net tangible assets attributable to the shareholders of our Company per Share in the above table is calculated after the adjustments referred to in the section headed “Appendix II – Unaudited Pro Forma Financial Information” and on the basis of 446,272,000 Shares in issue immediately following the completion of the Global Offering, assuming that the Global Offering has been completed on April 30, 2019 and that the Over-allotment Option is not exercised.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$333.42 million (assuming an Offer Price of HK\$3.135 per H Share, being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

We intend to apply the net proceeds from the Global Offering for the following purposes:

- Approximately 35% of the net proceeds or approximately HK\$116.70 million will be used to build new materials production bases and project batching plants. In particular, we plan to build development center for UHPC and related products and production bases for new materials of recycled solid waste in Kunming area, as well as production bases for green and environmentally friendly new materials in Zhaotong and Yuxi. In addition, we plan to build new highway project batching plants along the route of highways to be invested for construction so as to meet the needs of highway construction projects;
- Approximately 20% of the net proceeds or approximately HK\$66.68 million will be used to improve, integrate and expand our existing concrete production lines. In particular, we plan to carry out green, environmental, and intelligent upgrade for our existing regional batching plants in Kunming, Zhaotong, Chuxiong, Baoshan, Yuxi and Qujing so as to enhance the level of green development and environmental protection as well as the capability of lean management;
- Approximately 35% of the net proceeds or approximately HK\$116.70 million will be used to integrate upstream raw material resources to further consolidate our industry chain of concrete production. We plan to participate in aggregates mine exploitation projects around Zhaotong, Kunming and Yuxi. In particular, we plan to obtain the mining concessions of aggregates with substantial reserves, long mining life and good quality aggregates through public bidding, and acquiring aggregates production enterprises that already have high-quality mine resources, sound management, good financial condition, relevant aggregates mining and production qualifications, and good expected future earnings; and

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## SUMMARY

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- Approximately 10% of the net proceeds or approximately HK\$33.34 million will be used for working capital and general corporate purposes.

For details of our intended use of proceeds, please refer to the section headed “Future Plans and Use of Proceeds – Use of Proceeds”.

### **DIVIDEND POLICY**

Our Company distributed dividend of approximately RMB82.2 million, nil and nil to our Shareholders for the years ended December 31, 2016, 2017 and 2018, respectively. Based on the resolutions of the Shareholders’ meeting dated March 15, 2019, our accumulated distributable profits prior to the Global Offering are distributed as follows:

- (i) Our existing Shareholders were entitled to a dividend of RMB243.2 million; and
- (ii) Our Company intends to reserve the undistributed profits of RMB10.3 million and the accumulated profits from January 1, 2019 to the last day immediately prior to the Listing for the distribution of dividends to our existing and new Shareholders. The actual amount of such dividends will be determined upon the completion of the audit of our financial statements for the year ending December 31, 2019.

As of the Latest Practicable Date, RMB38.0 million of the dividend as described in (i) above had been paid, and the remaining dividend will be paid before the Listing.

Our Articles of Association provide that we may pay dividends with cash and/or stocks. Any proposed dividend distribution shall be formulated by the Board and subject to Shareholders’ approval. The amount of dividends to be declared and distributed will depend on the following factors: our overall business condition, operating results, financial results, working capital, capital requirements, future prospects, cash flow and any other factors that the Board may deem relevant. In principle, we expect to distribute the dividends once a year in an amount of no less than one third of our annual distributable profit attributable to equity holders of our Company for the relevant year, and such distribution shall be made within the subsequent year. We may declare interim dividend after taking into account the factors that the Board deems relevant.

After our H Shares are listed on the Hong Kong Stock Exchange, the dividend to be declared and distributed shall be determined based on the net profit after tax of our Company which for the purpose of dividend declaration and distribution will be the lesser of (i) the net profit determined in accordance with the accounting rules and regulations of the PRC; and (ii) the net profit determined in accordance with IFRSs. However, we cannot assure you that we will be able to declare or distribute dividend in any amount each year or in any year. The declaration and payment of dividends may be limited by legal restrictions or financing arrangements that we may enter into in the future.

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## SUMMARY

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### RECENT DEVELOPMENTS

Benefiting from the continued growth of the construction and infrastructure construction industry in Yunnan Province, our business continued to grow after the Track Record Period. Our revenue and profit for the six months ended June 30, 2019 increased as compared to the six months ended June 30, 2018. For the six months ended June 30, 2019, our total new contract value (excluding tax) for sale of ready-mixed concrete was RMB1,336.3 million. Our production volume of ready-mixed concrete, polycarboxylic admixtures mother liquor and aggregates was approximately 4.4 million cubic meters, 6,500.1 tonnes and 191,495.0 tonnes, respectively. On May 16, 2019, we were awarded as China's Top Ten Commercial Concrete Enterprise (中國商品混凝土企業十強) of the year 2018.

### RISK FACTORS

Our business and the Global Offering involve certain risks, some of which are set out in the section headed "Risk Factors". You should read that section in its entirety carefully before you decide to invest in the Offer Shares. We believe that our major risks include: (i) our business may be affected by the general economic condition and performance of construction industry in China; (ii) we may face short supply of or increase in prices of raw materials; (iii) we derived majority of our revenue from YCIH Group during the Track Record Period; (iv) our business is affected by transportation costs, capacity constraints and labor costs; (v) demand of our products is subject to seasonality; (vi) we may not have sufficient working capital if we experience significant increase in amount due from customers, and our cash flows and financial condition may be adversely affected if we were unable to collect the payment from customers in a timely manner or fully, especially in government funded projects which are influenced by government policies or bank credit policies; (vii) we recorded cash outflows from operating activities for the four months ended April 30, 2018; and (viii) we may not continue to obtain favorable credit terms granted by our suppliers. For further information relating to these and other risks relating to an investment in our H Shares, please refer to the section headed "Risk Factors".

### NO MATERIAL ADVERSE CHANGE

Our Directors confirm that, since April 30, 2019 and up to the date of this prospectus, (i) there had been no material adverse change in our financial or trading position; and (ii) there had been no material adverse change in our business, the industries in which we operate, and/or the market or regulatory environment to which we are subject.

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## DEFINITIONS

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*In this prospectus, unless the context otherwise requires, the following terms and expressions have the meanings set forth below.*

“11th Five-Year Plan”	the 11th Five-Plan of China’s Five-Year Plans (“十一五” 規劃), a set of goals designed to strengthen China’s economy between 2006 and 2010
“13th Five-Year Plan”	the 13th Five-Plan of China’s Five-Year Plans (“十三五” 規劃), a set of goals designed to strengthen China’s economy between 2016 and 2020
“14th Metallurgical New Material Company”	YCIH 14th Metallurgical Green New Material Co., Ltd.* (雲南建投十四冶綠色新材料有限公司), a limited liability company established in the PRC on January 3, 2014 and a subsidiary of our Company
“Aggregate Company”	YCIH Aggregate Co., Ltd.* (雲南建投砂石料有限公司), a limited liability company established in the PRC on September 30, 1999 and a subsidiary of our Company
“Application Form(s)”	<b>WHITE</b> Application Form(s), <b>YELLOW</b> Application Form(s) and <b>GREEN</b> Application Form(s), or where the context so requires, any of them, relating to the Hong Kong Public Offering
“Articles of Association”	the articles of association of our Company, as amended, which shall become effective on the Listing Date and a summary of which is set out in Appendix V to this prospectus
“associate(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Baoshan Building Material”	YCIH Baoshan Yongchang Building Material Co., Ltd.* (雲南建投保山永昌建材有限公司), a limited liability company established in the PRC on January 21, 2015 and a subsidiary of our Company
“Beijing-Tianjin-Hebei Metropolitan Region”	the national capital region of the PRC, including an economic region surrounding the municipalities of Beijing, Tianjin and Hebei Province

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## DEFINITIONS

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“Belt and Road Initiative”	the Belt and Road Initiative, a development strategy adopted by the PRC government involving infrastructure development and investments in countries in Europe, Asia and Africa
“Board”	the board of Directors
“business day”	any day (other than a Saturday, Sunday or public holiday in Hong Kong) on which banks in Hong Kong are generally open for normal banking business
“Cambodia”	the Kingdom of Cambodia, a country in the southern part of the Indochina Peninsula in Southeast Asia
“CBIRC”	The China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CCASS”	the Central Clearing and Settlement System established and operated by HKSCC
“CCASS Clearing Participant”	a person admitted to participate in CCASS as a direct clearing participant or general clearing participant
“CCASS Custodian Participant”	a person admitted to participate in CCASS as a custodian participant
“CCASS Investor Participant”	a person admitted to participate in CCASS as an investor participant who may be an individual or joint individuals or a corporation
“CCASS Participant”	a CCASS Clearing Participant, a CCASS Custodian Participant or a CCASS Investor Participant
“Chairman Ma”	Mr. Ma Minchao (馬敏超), the chairman and executive Director of our Company
“China” or “PRC”	the People’s Republic of China, but for the purpose of this prospectus only, excluding Hong Kong, Macau and Taiwan region



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## DEFINITIONS

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“China Environmental Labeling Product Certification”	the certification of environmentally-friendly products that can meet the requirements of national environmental protection standards conducted by China Environmental United Certification Center as the sole certification body designated by the Ministry of Ecology and Environment of the People’s Republic of China, through three stages including the document review, on-site inspection and sample test
“Chinese New Year”	the Chinese festival that celebrates the beginning of a new year on the traditional Chinese calendar, usually referred to as the Spring Festival in mainland China
“CIC”	China Insights Industry Consultancy Limited, an independent third-party industry consultant commissioned by our Company
“CIC Report”	the industry report prepared by CIC
“Commercial Concrete Division”	the Commercial Concrete Division of Yunnan Construction Engineering Group Co., Ltd.* (雲南建工集團有限公司商品混凝土部)
“Companies Ordinance”	the Companies Ordinance (Chapter 622 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Companies (Winding Up and Miscellaneous Provisions) Ordinance”	the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Chapter 32 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Company” or “our 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), which was established in the PRC on June 19, 2007 as a limited liability company and was converted into a joint stock company with limited liability in the PRC on December 22, 2017
“connected person(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules

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## DEFINITIONS

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“Controlling Shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules and unless the context requires otherwise, refers to YCIH and/or YOIC (as the case may be)
“CSRC”	China Securities Regulatory Commission (中國證券監督管理委員會)
“Director(s)”	the director(s) of our 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
“Dongchuan river sand”	river sand collected from the Xiaojiang River flowing through the Dongchuan District (東川區) of Kunming and its adjacent areas
“Exchange Participant(s)”	a person: (a) who, in accordance with the Hong Kong Listing Rules, may trade on or through the Hong Kong Stock Exchange; and (b) whose name is entered in a list, register or roll kept by the Hong Kong Stock Exchange as a person who may trade on or through the Hong Kong Stock Exchange
“Extreme Conditions”	extreme conditions caused by a super typhoon as announced by the Government of Hong Kong
“Financial Services Framework Agreement”	the financial services framework agreement dated October 15, 2019 entered into between our Company and YCIH Financial Company
“Global Offering”	the Hong Kong Public Offering and the International Offering
“ <b>GREEN</b> Application Form(s)”	the application form(s) to be completed by the <b>White Form eIPO</b> Service Provider
“Green Building Materials Star Rating”	the rating and labeling activities implemented by the Ministry of Housing and Urban-Rural Development of the PRC and the Ministry of Industry and Information Technology of the PRC, which evaluate building materials according to the green technical requirements

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## DEFINITIONS

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“Group”, “our”, “we” and “us”	our Company and its subsidiaries (or our Company and any one or more of its subsidiaries, as the context may require) or, where the context so requires, the entities/undertakings which carried on the business of the present Group at the relevant time, i.e., the Commercial Concrete Division and/or YNJG Concrete, details of which are described in the section headed “History, Development and Corporate Structure”
“Hejianlan Highway”	a highway that connects Heqing County in Dali Prefecture, Yunnan Province to Jianchuan County in Dali Prefecture, Yunnan Province, and then to Lanping County in Nujiang Prefecture, Yunnan Province
“High-tech Enterprise(s)”	knowledge-intensive and technology-intensive economic entity that continuously carries out research and development as well as transformation of technological achievements within the scope of the New and High Technology Areas with the Government’s Primary Support (《國家重點支持的高新技術領域》) and forms core proprietary intellectual property rights of the enterprise as the basis for business operation
“HKSCC”	Hong Kong Securities Clearing Company Limited, a wholly-owned subsidiary of Hong Kong Exchanges and Clearing Limited
“HKSCC Nominees”	HKSCC Nominees Limited, a wholly-owned subsidiary of HKSCC
“Hong Kong” or “HK”	the Hong Kong Special Administrative Region of the PRC
“Hong Kong Dollars” or “HK\$”	Hong Kong dollars and cents respectively, the lawful currency of Hong Kong

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## DEFINITIONS

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“Hong Kong Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited, as amended, supplemented or otherwise modified from time to time
“Hong Kong Offer Shares”	the H Shares offered for subscription in the Hong Kong Public Offering
“Hong Kong Public Offering”	the offer by our Company of initially 13,390,000 H Shares for subscription by the public in Hong Kong (subject to adjustment as described in the section headed “Structure of the Global Offering”) for cash at the Offer Price (plus brokerage, SFC transaction levies and Hong Kong Stock Exchange trading fees) on the terms and subject to the conditions described in this prospectus and the Application Forms, as further described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering”
“Hong Kong Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Hong Kong Underwriter”	the underwriter listed in the section headed “Underwriting – Hong Kong Underwriter”, being the underwriter of the Hong Kong Public Offering
“Hong Kong Underwriting Agreement”	the underwriting agreement dated October 17, 2019 relating to the Hong Kong Public Offering and entered into by China International Capital Corporation Hong Kong Securities Limited and us, as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – Hong Kong Public Offering – Hong Kong Underwriting Agreement”
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of our Company, with a nominal value of RMB1.00 each, which are to be subscribed and traded in Hong Kong Dollars and for which an application has been made for the granting of listing, and permission to deal, on the Hong Kong Stock Exchange
“H Share Registrar”	Computershare Hong Kong Investor Services Limited

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## DEFINITIONS

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“IFRSs”	International Financial Reporting Standards promulgated by the International Accounting Standard Board (“IASB”) and the International Accounting Standards (“IAS”) including restated standards, amendments and interpretations issued
“Independent Third Party(ies)”	persons or entities which, to the best of our Directors’ knowledge, information and belief, having made all reasonable enquiries, are not considered as connected persons of the Company under the Hong Kong Listing Rules
“Indonesia”	the Republic of Indonesia, a country in South East Asia, between the Indian and Pacific oceans
“International Offer Shares”	the H Shares offered pursuant to the International Offering
“International Offering”	the initial offering of an aggregate of 120,492,000 H Shares by us to professional and institutional investors and other investors subject to the Over-allotment Option, as further described in the section headed “Structure of the Global Offering”
“International Underwriter(s)”	the underwriter(s) of the International Offering who is/are expected to enter into the International Underwriting Agreement
“International Underwriting Agreement”	the underwriting agreement relating to the International Offering and to be entered into by the Company, the Sole Sponsor, the Sole Global Coordinator and the International Underwriter(s) on or about October 24, 2019 as further described in the section headed “Underwriting – Underwriting Arrangements and Expenses – International Offering – International Underwriting Agreement”
“Jing’an New Area”	Jing’an New Area, Zhaotong, Yunnan Province (still under the planning)

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## DEFINITIONS

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“KMEIC”	Kunming Economic-Technological Development Zone Investment & 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 on July 6, 2006 and a shareholder holding 10.35% equity interest in our Company as of the Latest Practicable Date
“Land and Property Leasing Framework Agreement”	the land and property leasing framework agreement dated September 25, 2019 entered into between the Company and YCIH
“Laos”	the Lao People’s Democratic Republic, a country in Southeast Asia
“Latest Practicable Date”	October 11, 2019, being the latest practicable date for the purposes of ascertaining certain information contained in this prospectus
“Linshuang Highway”	a highway that connects Linxiang District in Lincang City, Yunnan Province to Shuangjiang County, Lincang City, Yunnan Province
“Listing”	the listing of the H Shares on the Main Board of the Hong Kong Stock Exchange
“Listing Committee”	the Listing Committee of the Hong Kong Stock Exchange
“Listing Date”	the date, expected to be on or about October 31, 2019, on which our H Shares are listed and from which dealings therein are permitted to take place on the Hong Kong Stock Exchange
“Ludian County”	Ludian County, Zhaotong, Yunnan Province
“Lumi Highway”	a highway that connects Luxi County in Honghe Prefecture, Yunnan Province to Mile City in Honghe Prefecture, Yunnan Province
“Main Board”	the stock market (excluding the option market) operated by the Hong Kong Stock Exchange which is independent from and operated in parallel with the Growth Enterprise Market of the Hong Kong Stock Exchange

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## DEFINITIONS

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“Mandatory Provisions”	the Mandatory Provisions for Articles of Association of Companies to be Listed Overseas (到境外上市公司章程必備條款) (as amended from time to time), for inclusion in the articles of association of companies incorporated in China to be listed overseas, which were promulgated by the former Securities Commission of the State Council of China and the former State Commission for Restructuring the Economic Systems of China on August 27, 1994
“Maritime Silk Road”	the maritime traffic routes which connect China and the rest of the world
“Mazhao Highway”	a highway that connects Chahe Village in Shoushan Township, Dagan County, Zhaotong, Yunnan Province to Dashuitang Village in Ludian County, Zhaotong, Yunnan Province
“Miyu Highway”	a highway that connects Mile City in Honghe Prefecture, Yunnan Province to Yuxi in Yunnan Province
“MOF”	the Ministry of Finance of the PRC (中華人民共和國財政部)
“MOFCOM”	the Ministry of Commerce of the PRC (中華人民共和國商務部)
“MOHRSS”	Ministry of Human Resources and Social Security of the PRC (中華人民共和國人力資源和社會保障部)
“NDRC”	the National Development and Reform Commission of the PRC (中華人民共和國國家發展和改革委員會)
“Offer Price”	the final Hong Kong dollar price per Offer Share (exclusive of brokerage fee, the Hong Kong Stock Exchange trading fee and SFC transaction levy) at which Hong Kong Offer Shares are to be subscribed pursuant to the Hong Kong Public Offering and International Offering Shares are to be offered pursuant to the International Offering, to be determined as described in the section headed “Structure of the Global Offering – Pricing of the Global Offering”

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## DEFINITIONS

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“Offer Share(s)”	the H Share(s) offered in the Global Offering, where relevant, including any additional H Shares issued pursuant to the exercise of the Over-allotment Option
“Over-allotment Option”	the option to be granted by us to the International Underwriter(s), exercisable by the Sole Global Coordinator on behalf of the International Underwriter(s) at any time from the date of the International Underwriting Agreement until 30 days from the last day for lodging applications under the Hong Kong Public Offering, to require us to allot and issue up to an aggregate of 20,082,300 additional H Shares at the Offer Price to cover over-allocations in the International Offering, if any, details of which are described in the section headed “Structure of the Global Offering – Over-allotment Option”
“PBOC”	People’s Bank of China (中國人民銀行)
“Polymer Company”	YCIH Polymer Material Co., Ltd.* (雲南建投高分子材料有限公司), a limited liability company established in the PRC on September 3, 2013 and a subsidiary of our Company
“PRC Company Law”	the Company Law of the PRC (中華人民共和國公司法), as amended, supplemented or otherwise modified from time to time
“PRC Legal Advisers”	Commerce & Finance Law Offices
“Price Determination Date”	the date, expected to be on or about October 24, 2019, on which the Offer Price is fixed for the purposes of the Global Offering, and in any event no later than October 30, 2019
“Products Sales Framework Agreement”	the products sales framework agreement dated September 25, 2019 entered into between our Company and YCIH
“province”	a province or, where the context requires, a provincial level autonomous region or municipality, under the direct supervision of the central government of the PRC
“Qiaojia County”	Qiaojia County, Zhaotong, Yunnan Province
“Qujing”	Qujing, Yunnan Province



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## DEFINITIONS

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“Qijing Building Material”	YCIH Qijing Building Material Co., Ltd.* (雲南建投曲靖建材有限公司), a limited liability company established in the PRC on August 19, 2014 and a subsidiary of our Company
“Qijing Zhongwei”	Qijing Zhongwei Cement Products Co., Ltd.* (曲靖中威水泥製品有限責任公司), a limited liability company established in the PRC on April 2, 2013 holding 20% of the equity interest of Qijing Building Material
“Raw Materials, Products and Services Procurement Framework Agreement”	the raw materials, products and services procurement framework agreement dated September 25, 2019 entered into between our Company and YCIH
“Regulation S”	Regulation S under the U.S. Securities Act, as amended from time to time
“RMB” or “Renminbi”	the lawful currency of the PRC
“SAFE”	the State Administration of Foreign Exchange of the PRC (中華人民共和國國家外匯管理局)
“SASAC”	the State-Owned Assets Supervision and Administration Commission of the State Council of the PRC (國務院國有資產監督管理委員會)
“SAT”	the State Taxation Administration of the PRC (中華人民共和國國家稅務總局)
“SFC”	the Securities and Futures Commission of Hong Kong
“SFO” or “Securities and Futures Ordinance”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Shangri-la-Lijiang Highway”	a highway that connects Shangri-la City in Diqing Tibetan Autonomous Prefecture, Yunnan Province to Lijiang City, Yunnan Province
“Share(s)”	the ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
“Shareholder(s)”	holder(s) of our Shares

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## DEFINITIONS

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“Silk Road Economic Belt”	a new economic development area formed based on the concept of the ancient Silk Road, covering the areas including Shaanxi, Gansu, Qinghai, Ningxia, Xinjiang, Chongqing, Sichuan, Yunnan and Guangxi
“Sole Bookrunner”	China International Capital Corporation Hong Kong Securities Limited
“Sole Global Coordinator”	China International Capital Corporation Hong Kong Securities Limited
“Sole Lead Manager”	China International Capital Corporation Hong Kong Securities Limited
“Sole Sponsor”	China International Capital Corporation Hong Kong Securities Limited
“Southeast Asia”	a subregion of Asia, consisting of the countries that are geographically between the Indian Ocean and the Pacific Ocean
“Southeast Kunming Ring Highway”	the south-eastern part of the Kunming Round City Highway* (昆明繞城高速公路), which starts from the Zhongduilong Interchange on the Kunqu Highway* (昆曲高速中對龍立交) and ends at the Yujiahai Interchange on the Kunyu Highway* (昆玉高速余家海立交)
“Special Regulations”	the Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (國務院關於股份有限公司境外募集股份及上市的特別規定), promulgated by the State Council on August 4, 1994, as amended, supplemented or otherwise modified from time to time
“sponge city(ies)”	cities with good resilience in adapting to environmental changes and responding to natural disasters caused by rainwater
“Stabilizing Manager”	China International Capital Corporation Hong Kong Securities Limited
“State Council”	the State Council of the PRC (中華人民共和國國務院)

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## DEFINITIONS

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“subsidiary(ies)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under the Hong Kong Listing Rules
“Supervisor(s)”	the member(s) of the Supervisory Committee
“Supervisory Committee”	the supervisory committee of our Company
“Takeovers Codes”	the Codes on Takeovers and Mergers and Share Buy-backs issued by the SFC, as amended, supplemented or otherwise modified from time to time
“the construction of ‘Five Networks’”	a development strategy implemented by the Yunnan Provincial Government, including the construction of the networks of road, aviation, energy security, water and Internet
“Tiger Leaping Gorge”	a scenic canyon on the Jinsha River, located 60 kilometers north of Lijiang City, Yunnan Province in southwestern China
“total operation costs”	for the purpose of this prospectus only, the sum of total cost of sales, selling expenses, administrative expenses and net impairment losses on financial assets
“Track Record Period”	the three financial years ended December 31, 2018 and the four months ended April 30, 2019
“Underwriter(s)”	the Hong Kong Underwriter and the International Underwriter(s)
“Underwriting Agreements”	the Hong Kong Underwriting Agreement and the International Underwriting Agreement
“United States” or “U.S.”	the United States of America, its territories, its possessions and all areas subject to its jurisdiction
“U.S. dollars” or “US\$”	United States dollars, the lawful currency of the United States
“U.S. Securities Act”	the United States Securities Act of 1933, as amended from time to time

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## DEFINITIONS

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“Vietnam”	the Socialist Republic of Vietnam, the easternmost country on the Indochina Peninsula
“ <b>WHITE</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be issued in the applicant’s own name
“ <b>White Form eIPO</b> ”	the application for Hong Kong Offer Shares to be issued in the applicant’s own name by submitting applications online through the designated website of <b>White Form eIPO</b> at <b>www.eipo.com.hk</b>
“ <b>White Form eIPO</b> Service Provider”	Computershare Hong Kong Investor Services Limited
“Xiaojiang River”	a tributary of the Jinsha River in northern Yunnan Province of China
“Xiong’an New Area”	a state-level new area in the Baoding area of Hebei Province, China, whose main function is to serve as a development hub for the Beijing-Tianjin-Hebei Metropolitan Region
“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 on April 19, 2016 and a Controlling Shareholder of our 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 on December 28, 2015, a non-wholly-owned subsidiary of YCIH and is expected to become a connected person of our Company upon Listing
“YCIH Group”	YCIH and its subsidiaries
“ <b>YELLOW</b> Application Form(s)”	the application form(s) for use by the public who require(s) such Hong Kong Offer Shares to be deposited directly into CCASS

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## DEFINITIONS

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“YNJG”	Yunnan Construction Engineering Group Co., Ltd.* (雲南建工集團有限公司) (formerly known as Yunnan Construction Engineering Group Corporation* (雲南建工集團總公司)), a limited liability company established in the PRC on August 5, 1996 which has already been deregistered
“YNJG Concrete”	Yunnan Construction Engineering Concrete Co., Ltd.* (雲南建工混凝土有限公司), a limited liability company established in the PRC on April 3, 1996 which has already been deregistered
“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 on November 16, 2009 and a Controlling Shareholder of our Company
“Yongchang Investment”	Baoshan Yongchang Investment and Development (Group) Co., Ltd.* (保山市永昌投資開發(集團)有限公司), a limited liability company established in the PRC on September 17, 2010, holding 50% of the equity interest of Baoshan Building Material, and is expected to become a connected person of our Company at the subsidiary level upon Listing
“Yongda Highway”	a highway that connects Yongren County in Chuxiong Prefecture, Yunnan Province to Dayao County in Chuxiong Prefecture, Yunnan Province
“Yuanman Highway”	a highway that connects Yuanjiang County in Yuxi, Yunnan Province to Manhao Town in Gejiu City, Honghe Prefecture, Yunnan Province
“Yunlan Highway”	a highway that connects Yunlong County in Dali Prefecture, Yunnan Province to Lanping County in Nujiang Prefecture, Yunnan Province
“Yunling Cement”	YNJG Yunling Cement Co., Ltd.* (雲南建工雲嶺水泥有限公司), a limited liability company established in the PRC on August 28, 2006 and a subsidiary of YCIH
“Yunnan SASAC”	the 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)

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## DEFINITIONS

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“Yunnan Zhujiang”	Yunnan Zhujiang Seed Industry Co., Ltd.* (雲南珠江種業有限公司), a limited liability company established in the PRC on June 17, 2010 holding 30% of the equity interest of Qujing Building Material
“Yuxi”	Yuxi, Yunnan Province
“Yuxi Building Material”	YCIH Yuxi Building Material Co., Ltd.* (雲南建投玉溪建材有限公司), a limited liability company established in the PRC on July 10, 2015 and a subsidiary of our Company
“Zhaotong”	Zhaotong, Yunnan Province
“Zhenxiong County”	Zhenxiong County, Zhaotong, Yunnan Province
“%”	percent

*In this prospectus, the terms “close associate”, “core connected person” and “connected transaction” shall have the meanings ascribed to such terms in the Hong Kong Listing Rules, unless the context otherwise requires.*

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

*For ease of reference, the names of the PRC established companies or entities, laws or regulations have been included in this prospectus in both the Chinese and English languages and in the event of any inconsistency, the Chinese version shall prevail.*

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\* For identification purposes only.

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## GLOSSARY OF TECHNICAL TERMS

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*This glossary of technical terms contains explanation of certain technical terms used in this prospectus. Therefore, some of these may not correspond to standard industry definitions or usage of these terms.*

“aggregates”	granular loose materials that act as skeletons or fills in concrete, classified into coarse aggregates and fine aggregates. Coarse aggregates refer to pebbles, gravel, and others; fine aggregates refer to natural sand, artificial sand, and others
“binding material”	a collective term for cement and active mineral admixtures in concrete
“CAGR”	compound annual growth rate
“cement”	an inorganic hydraulic binding material that can be hydrated and hardened in air after being mixed with water to form a plastic slurry and can be further hardened in water to maintain strength and volume stability.
“coal ash”	a product with a certain fineness made from or by winnowing and grinding flue ash discharged from a power plant that generate electricity using coal-fired furnaces
“compound mineral additives”	a powder material that is made by mixing two or above mineral additives according to certain proportion and adding plaster and grinding aid when necessary, then grinding to the required fineness
“concrete”	a collective term for engineering composites formed by cementing aggregates into a whole using binding materials
“dB”	decibel
“ERP” or “ERP system”	ERP Enterprise Resource Planning system, an operation model for modern enterprise management. A integrated system applied across, corporations usually covering customer, relationship project, inventory and procurement, supply, production and other management tasks, with a view to maximize resource efficiency and optimize enterprise resources

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## GLOSSARY OF TECHNICAL TERMS

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“fair-faced concrete”	concrete directly using the natural texture of solidified concrete as the finish
“field concrete”	concrete produced at the site for on-site self-use but not for sale
“GB/T 14902-2012”	national standard for ready-mixed concrete jointly issued by the General Administration of Quality Supervision, Inspection and Quarantine of the PRC and the Standardization Administration of China
“GB/T19001”	quality management systems-requirements with guidance for use jointly issued by the Standardization Administration of China and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC, the present effective version of which is GB/T 19001-2016
“GB/T24001”	environmental management system-requirements with guidance for use jointly issued by the Standardization Administration of China and the General Administration of Quality Suspension, Inspection and Quarantine of the PRC, the present effective version of which is GB/T 24001-2016
“GB/T28001”	occupational health and safety management system guidelines for the implementation of GB/T28001-2011 issued jointly by the Standardization Administration of China and the General Administration of Quality Supervision, Inspection and Quarantine of the PRC
“GFA”	gross floor area
“GGBFS” or “slag powder”	ground granulated blast furnace slag, a powder material obtained by grinding the particles formed by quenching molten material discharged from the ironmaking blast furnace and mainly composed of citrate and aluminat
“GPS”	Global Positioning System



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## GLOSSARY OF TECHNICAL TERMS

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“green”	the evaluation of product attributes such as “health, environmental protection and safety” includes itemized evaluation and comprehensive evaluation of raw material utilization, production process, construction process, use process and waste disposal process, which can be summarized as saving resources and energy, causing no harm to the environment, and even being beneficial to the environment
“green ultra-retardation concrete”	concrete specially prepared to meet special construction requirements with an initial setting time of not less than 20 hours, a final setting time of not more than 120 hours, difference between the initial setting time and final setting time of not more than 20 hours, 28 days of strength or a designed age strength not lower than the designed strength grade
“HPEG”	$\text{CH}_2 = \text{C}(\text{CH}_3) \text{CH}_2 - \text{O} - (\text{CH}_2\text{CH}_2\text{O})_n\text{H}$
“Internet”	a large world-wide network of computers consisting of independently operated and managed computer networks of different types and sizes
“kg”	kilogram
“km”	kilometer
“km <sup>2</sup> ” or “sq. km”	square kilometer
“L”	liter
“m <sup>3</sup> ”	cubic meter
“machine-made sand”	rocks that are mechanically crushed and sieved into rocks, mine tailings and industrial waste particles with a particle size of less than 4.75 mm, but excluding soft, weathered particles; also known as artificial sand
“metakaolin”	products with non-stylized aluminosilicate as the main ingredient formed by grinding after calcination at appropriate temperature with kaolin minerals as its raw materials
“mg”	milligram
“mPa”	megapascal
“mu”	a Chinese unit of area, also spelled “mou”, approximately 0.066 hectares

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## GLOSSARY OF TECHNICAL TERMS

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“National Code”	the Code for Design of Concrete Structures (混凝土結構設計規範), a national standard of the People’s Republic of China (GB 50010-2010)
“phosphorus slag”	with ground granulated electric furnace phosphorus slag as its main ingredient, and a small amount of gypsum combined to form a certain fine powder by grinding, it is the abbreviation of ground granulated electric furnace phosphorus slag powder
“PM”	particulate matter, microscopic solid or liquid matter suspended in the Earth’s atmosphere
“polycarboxylic admixtures”	a high-performance water-reducing agent formed by copolymerization of unsaturated monomers containing carboxyl groups and other monomers to enable excellent performance of concrete in water reduction, slump loss resistant, reinforcement, shrinkage and environmental protection
“ready-mixed concrete” or “commercial concrete”	concrete produced at the batching plant, conveyed to the site of use using transport equipment, and delivered as a mixture
“self-compacting concrete”	the concrete with high fluidity, uniformity and stability, no vibration is required when pouring, and is able to flow under its own weight and fill the formwork
“skyscraper” or “ultra-high building”	a building with 40 or more stories and a height of more than 100 meters
“smart concrete”	a type of multi-functional material based on the components of traditional concrete with sensors, drivers, micro-processors or other intelligent components implanted, enabling the concrete to specific functions such as memory, self-detection, self adjustment and self repairing
“sq.m.” or “m <sup>2</sup> ”	square meter
“tonne”	metric ton, equivalent to 1,000 kilograms
“UHPC”	Ultra-High Performance Concrete, fiber-reinforced cement-based composite material with ultra high anti-permeability strength and mechanics performance

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## FORWARD-LOOKING STATEMENTS

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This prospectus includes forward-looking statements. All statements other than statements in relation to historical facts contained in this prospectus, including, without limitation, those regarding our future financial position, our strategies, plans, objectives, goals, indicators and future developments in the markets where we involve or are seeking for involvement, and any statements preceded by, followed by or that include the words “believe”, “expect”, “estimate”, “predict”, “aim”, “intend”, “wish”, “may”, “plan”, “consider”, “anticipate”, “seek”, “should”, “could”, “would”, “continue”, or similar expressions or the antonyms thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond our control, which may cause our actual results, performance or achievements, or industry results, to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we will operate in the future. Important factors that could cause our actual performance or achievements to differ materially from those in the forward-looking statements include, among other things, the following:

- any changes in the laws, rules and regulations of the central and local governments in the PRC or in other regions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of our business and our business plans;
- our ability to successfully implement our business plans and strategies;
- future developments, trends and conditions in the industry and markets in which we operate or into which we intend to expand;
- our business prospects;
- our capital expenditure plans;
- the actions and developments of our competitors;
- our financial conditions and performance;
- our dividend policy;
- changes in global economic conditions and material volatility in the global financial markets;
- general political and economic conditions, including those related to the PRC;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC or other regions and the industry and markets in which we operate; and
- various business opportunities that we may pursue.

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## FORWARD-LOOKING STATEMENTS

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Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in the section headed “Risk Factors” and elsewhere in this prospectus. You should not place undue reliance on these forward-looking statements, which merely reflect our management’s view as of the date of this prospectus. We undertake no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this prospectus might not occur. All forward-looking statements contained in this prospectus are qualified by reference to the cautionary statements set out in this section.

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## RISK FACTORS

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*You should carefully consider all of the information in this prospectus, including the risks and uncertainties described below, before making an investment in our H Shares. These risks could adversely affect our business, financial condition and operating results. The trading price of our H Shares could significantly decrease due to any of these risks, and you may lose all or part of your investment. You should note that we are a PRC company governed by a legal and regulatory environment that may differ significantly from that of other jurisdictions. For more information concerning the PRC and certain related matters discussed below, please refer to the sections headed “Appendix IV – Summary of Principal Legal and Regulatory Provisions” and “Appendix V – Summary of the Articles of Association”.*

Our operation involves certain risks and most of these risks are beyond our control. These risks can be classified as: (i) risks relating to our business and industry; (ii) risks relating to the PRC; and (iii) risks relating to the Global Offering. Other risks and uncertainties that are currently unknown to us or that we currently deem immaterial could become material and harm our business, financial condition and operating results.

### **RISKS RELATING TO OUR BUSINESS AND INDUSTRY**

#### **Our business and future growth may be affected by the macro-economic condition and performance of the construction industry in China and Yunnan Province.**

Concrete is one of the key materials for many construction projects. During the Track Record Period, substantially all of our business was conducted in Yunnan Province, the PRC. The demand for our products as well as our business and the prospects of future growth rely on the overall economic conditions and the development of the construction industry in China, especially in Yunnan Province. China’s economy achieved a rapid growth from 2013 to 2018, whereas is expected to grow at a relatively lower rate from 2018 to 2023. According to the CIC Report, the real GDP growth rate is expected to gradually slow down from 2018 to 2023. During the period from 2013 to 2018, China’s construction industry maintained a rapid development and the CAGR of the gross output reached at 8.0%. According to the CIC Report, it is expected that the gross output of China’s construction industry will increase at a relatively lower CAGR of 6.8% from 2018 to 2023. In addition, Yunnan Province, where we carry out most of our business, has enjoyed a stable and rapid economic growth in recent years. The real GDP growth rate of Yunnan Province was 9.1% in 2018 and is expected to range between 8.0% and 8.9% in the next five years according to the CIC Report. The gross output of the construction industry of Yunnan Province has grown at a CAGR of 13.4% from 2013 to 2018, and will grow at a relatively lower rate (which is expected to be 13.0%) for the period from 2018 to 2023 according to the CIC Report. The conditions and growth of the construction industry rely on the macro-economic landscape as well as other factors, such as interest rate, inflation, the level of urbanization and social and cultural development, unemployment rate, the trend of population distribution and consumer confidence. We cannot assure you that the economy in China or Yunnan Province will grow at the current rate or at all, or the demand for our products will keep increasing or maintain at the similar level.

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Furthermore, our business is susceptible to adverse changes in the government policies related to the construction industry in China and Yunnan Province, including regulations that affect the land supply for property development, project financing and taxation, as well as local government budgeting. During the Track Record Period, we supplied concrete to infrastructure projects which include highway projects and real estate development projects. The PRC government implemented various regulations and policies aiming to cool down the real estate market and curb the increase in housing prices, including household registration requirements for the purchase of property imposed by certain cities, restrictions on mortgages and increasing interest rates for property transactions in the secondary market. These policies may affect the level of activities in the PRC real estate industry, resulting in a slower development of China's real estate construction industry. Any slowdown or decline in the development of China's economy and/or construction industry may adversely affect the concrete industry, which in turn would have an adverse impact on our business, operating results and financial condition.

### **The shortage in supply or increase in prices of raw materials may affect our business.**

Certain raw materials used in our production (such as binding materials including cement, slag powder, coal ash and compound mineral additives, aggregates and admixtures) are subject to price volatility caused by market conditions, including commodity price fluctuations and changes in government policies. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our cost for raw materials accounted for approximately 75.2%, 72.5%, 72.5% and 72.6% of our cost of sales for the same period, respectively. For instance, according to the CIC Report, the national average cement price has experienced fluctuations since 2013. Since 2016, the cement price has risen continuously. The annual average cement price rose from RMB261.1 per tonne in 2016 to RMB340.1 per tonne in 2017, and reached RMB431.9 per tonne in 2018. According to the CIC Report, the cement price in Yunnan Province remained at a high level in 2018, rising up to RMB359.8 per tonne, as a result of production adjustment in response to the government's policy on cutting excessive capacity. In the coming years, along with the furtherance of the supply-side structural reform in construction materials industry in Yunnan Province as well as tightened environmental protection regulation on production, the average price of cement in Yunnan Province is expected to maintain its growth momentum. For details of our sensitivity analysis to cement and aggregates prices fluctuations, please refer to the section headed "Financial Information – Key Factors Affecting Our Results of Operations – Supply of raw materials".

Our raw materials are mainly procured from third-party suppliers and we have established procurement relationship with multiple suppliers. As the production of raw materials is subject to various factors, such as the weather conditions and government regulations, particularly in the case that we do not enter into any exclusive contract with any supplier, we may not be able to obtain sufficient primary raw materials from suppliers in a timely manner. For example, in recent years, due to intensified environmental protection efforts in Yunnan Province, a large number of cement and aggregates manufacturers that did not meet environmental protection requirements were shut down or suspended for rectification, which decreases the supply of raw materials for concrete production, and affected the production and supply of concrete. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our

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## RISK FACTORS

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purchase amount from our top five suppliers for raw materials accounted for approximately 21.0%, 19.2%, 13.3% and 13.1% of our purchase, respectively. We cannot assure you that our key suppliers will continue to provide us with raw materials at acceptable prices, or that our raw materials prices will remain stable in the future. In addition, we may not be able to transfer some or all of the increase in our costs of our raw materials to our customers. Even though we generally have a price adjustment clause in our ready-mixed concrete supply contracts with our customers, which allows us to negotiate the price adjustment in case of the increase of raw materials (mainly cement) price to or beyond a certain level, we cannot assure you that we are able to successfully negotiate the price adjustment with our customers to fully cover the additional cost we incur as a result of the increase of the raw material prices or at all. In that case, we may have to bear the additional cost and the profitability of our business may be materially and adversely affected. Furthermore, any increase or material fluctuation in the prices of our raw materials may also prevent us from obtaining raw materials in a timely manner on acceptable commercial terms and satisfactory quality or in sufficient amount, which could have a material adverse impact on our business, financial condition and operating results.

**The majority of our revenue was derived from YCIH Group during the Track Record Period.**

During the Track Record Period, the majority of our revenue was derived from YCIH Group. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the revenue from YCIH Group accounted for approximately 81.4%, 84.1%, 73.3% and 61.5% of our revenue for the same period, respectively. As such, our revenue and financial performance depend to a large extent on our ability to maintain a good relationship with them and our ability to successfully solicit and sell concrete to independent customers. YCIH Group is the largest construction enterprise in Yunnan Province in terms of assets and revenue from construction business. Therefore, YCIH Group has the largest demand for ready-mixed concrete in Yunnan Province. We currently have an independent customer base as well as the skills and network to independently explore new market opportunities and business opportunities for soliciting independent customers. However, as compared with YCIH Group, these independent customers have relatively smaller demand for ready-mixed concrete, and we have limited resources and capabilities for soliciting independent customers with the same large demand for ready-mixed concrete as YCIH Group. As such, we expect that we will continue to derive most of our revenue from YCIH Group.

Despite our efforts to reduce our reliance on YCIH Group by exploring independent customers, the continued business development of YCIH Group remains as an important element to our business growth. If the number of projects we obtain from YCIH Group decreases due to financial difficulties or business interruptions of YCIH Group or slowdown of the industry in which they operate, or for any other reason, our business, financial condition and operating results may be adversely affected.

In addition, as YCIH is our Controlling Shareholder and YCIH Group is our largest customer during the Track Record Period, we have maintained long-term cooperative relations with YCIH Group, and thus may in a better position to negotiate a better terms or obtain prices

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## RISK FACTORS

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that are more favorable to us. We cannot assure you that we are able to have the similar bargaining power in the negotiation with other independent customers in the future or enter into the contracts with better or similar terms or obtain comparable prices. In view of this, if the operation of YCIH Group is affected for any reason which reduces the number of projects we obtain therefrom, and we may not be able to enter into agreements with independent customers on the similar terms or with similar prices to make up for the reduced projects or at all, our business, financial condition and operating results may be adversely affected.

**Our operation and growth prospects are subject to our transportation cost, capacity constraints and labor cost.**

The sales of our concrete largely rely on our ability to transport our products to our customers' construction sites at a reasonable transportation cost. In particular, there are many mountains and hills in Yunnan Province, and hence one-way transportation distance and costs of ready-mixed concrete are generally higher than the national average. The sales of our products are limited by transportation distance and costs. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our transportation cost accounted for approximately 6.6%, 8.2%, 8.5% and 8.1% of our cost of sales, respectively. Any significant increase in the transportation cost per unit distance will lead to a corresponding increase in our cost of sales, limiting the coverage of our regional sales network of profitability.

In 2018, the annual capacity of our concrete batching plants was 21.3 million cubic meters. However, the demand for our capacity may change from time to time. If we are unable to upgrade or expand our concrete batching plants in a timely or efficient manner, or recruit and train sufficient skilled workers or purchase raw materials, our development plans may be adversely affected. The competitiveness of our concrete also depends on our ability to enhance the overall efficiency and productivity of each concrete batching plant. If we are unable to maintain our competitiveness against our peers in the construction industry, our market share may be decreased and our profitability may be affected.

Our production and operation rely on recruiting and retaining experienced workers with qualified skills. We believe our systematic training provides our workers with skilled craftsmanship and qualified technology to operate our equipment in the production. With the aging problem of workforce in the PRC deteriorating, it also presents challenges for us to recruit qualified workers in the appropriate age. As such, we cannot assure you that we are able to retain a sufficient workforce. If our recruitment and retention efforts are not successful, qualified workers may not be integrated into our workforce in a timely manner to meet our business needs, thus our business operation may be adversely affected.

In case of significant increase in the labor cost, the production cost of our products may increase as well. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our employee benefit expenses were RMB195.1 million, RMB229.7 million, RMB253.9 million and RMB76.4 million, respectively, accounting for 9.2%, 8.1%, 8.1% and 8.6% of our total operation costs, respectively. It is expected that the labor cost in



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the PRC will continue to increase, and the PRC government may formulate additional laws or regulations on labor protection, such as increasing the statutory minimum wage. Such development may place a heavier burden on us and we may have to pay more benefits to employees. Any significant increase in our direct labor cost will increase our total cost of sales. If we cannot transfer the increased cost to customers, our business, financial condition and operating results may be adversely affected.

Our operation depends on our ability to effectively enhance the allocation of our human resources, raw materials and equipment, improve management efficiency and reduce management cost. If we are unable to effectively control our transportation cost, labor cost or management cost, our business, operating results and financial condition may be adversely affected.

**The demand for our certain products is subject to seasonality as weather conditions may affect the level of construction activities.**

The demand for our concrete is subject to seasonality as weather conditions (such as drought, heavy or sustained rainfall) can affect the level of activities in the construction industry. In addition, affected by Chinese New Year, construction activities are generally at a lower level during the period from January to March than at other time of the year. As a result of the seasonal fluctuations, our quarterly results may not be indicative of our business and financial performance for the year as a whole.

Adverse weather conditions can affect the level of construction activities and lead to a decline in demand for our products. Climatic conditions that are unusually severe or intense, or those which occur at abnormal times (especially during the peak periods for construction activities) or last longer than usual could have an adverse impact on our business, financial condition or operating results.

**We may not be able to meet the needs for our working capital if we experience significant increase in amount due from customers, delays in our billing and settlement process, or delays or defaults in our trade and notes receivables.**

When determining the payment terms for the sales of our ready-mixed concrete, we may consider the duration of business relationship with our customers, their credit history and the types of project they engage in, we adopt various payment methods in our sales contracts, including, among others: (i) payment before delivery; (ii) payment upon delivery; or (iii) monthly installment payments of 70% to 100% of the total settlement amount for the previous month's supply. In case of partial payment, the remaining balance is generally settled within three or six months after the completion of concrete casting of the main structure of the project and the qualification of 28-day strength test on standard samples under the witness of us, our customers and the project supervisors. For further information, please refer to the section headed "Business – Sales and Marketing – Payment Terms".

We are exposed to the risks that customers may delay or even default on the payments. As of December 31, 2016, 2017 and 2018 and April 30, 2019, the carrying amounts of trade

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and notes receivables (before impairment provision) were RMB1,560.2 million, RMB2,053.3 million, RMB2,552.0 million and RMB2,524.5 million, respectively. The general increase in trade and notes receivables during 2016, 2017 and 2018 was primarily in line with the increase in our revenue as a result of our business expansion. As of August 31, 2019, approximately RMB998.4 million, or 39.5% of our trade and notes receivables outstanding as of April 30, 2019, were settled. Our cash flows and financial condition may be adversely affected if we were unable to collect payment in a timely manner or fully. In addition, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our trade and notes receivables turnover days were 193 days, 208 days, 246 days and 318 days, respectively. The increase in our turnover days of trade and notes receivables for the years ended December 31, 2016, 2017 and 2018 is generally in line with our business expansion, which includes our participation in a number of government funded infrastructure construction projects like Public Private Partnership (PPP) projects. The MOF issued a notice on rectification of Public Private Partnership (PPP) projects in December 2017, which was implemented in Yunnan Province in 2018. We understand from our customers that the banks tightened its credit policies towards government funded projects due to the implementation of the policies under such notice and thus our settlement process for these types of projects was prolonged, resulting in the low collection of trade and notes receivables from such projects and the increase in our turnover days of trade and notes receivables in 2018. For the four months ended April 30, 2019, our turnover days of trade and notes receivables further increased to 318 days. In addition to the aforementioned reason, our prolonged turnover days of trade and notes receivables in the four months ended April 30, 2019 was also due to the relatively lower level of the revenue during the first quarter of the year as affected by the Chinese New Year which is common in the concrete industry, as well as influenced by the overall slowdown of the capital turnover in the construction industry in the first quarter of 2019 as affected by the macro-economic landscape in the PRC. For details, please refer to the section headed “Financial Information – Selected Items of Consolidated Statements of Financial Position – Trade and notes receivables”.

Delays or defaults in payments from customers or delayed billing process may adversely affect our cash flow position and our ability to satisfy working capital needs. Although we did not encounter any major difficulties in collecting our contract fees or progress payments from our customers during the Track Record Period, we have, from time to time, experienced late payments from certain customers, resulting in unexpected increases in accounts receivables and cash outflows. As of December 31, 2016, 2017 and 2018 and April 30, 2019, the impairment provisions for trade receivables amounted to RMB34.5 million, RMB36.8 million, RMB48.1 million and RMB49.3 million, respectively, with the ratios of provisions for impairment (calculated at provisions for impairment divided by trade receivables) were 2.3%, 1.9%, 1.9% and 2.0% respectively. However, we cannot assure you that our provision is sufficient or we will continue to make sufficient provisions in the future. In addition, we incur costs associated with projects, such as materials, equipment and labor. For projects in which we have incurred significant costs and expenses, the default or delay in payment by customers may lead to a time gap between our payment received from the customers and the payment to our suppliers. In that case it will have an adverse impact on our operating results and availability of our working capital.

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**We recorded cash outflows from operating activities for the four months ended April 30, 2018.**

We recorded cash outflows from operating activities for the four months ended April 30, 2018, primarily due to (i) the significant increase of trade receivables resulting from the low collection during the four months ended April 30, 2018, and (ii) the increase in our settlement of trade payables with our suppliers during the same period in order to optimize our asset structure and reduce the operational risks. We cannot assure you that we will have positive cash flows from operating activities in the future and, even if we achieve operating cash inflows, such cash inflows may not be sufficient to satisfy our anticipated capital needs. Our future cash flows from operating activities will be influenced by a number of factors, such as the demand for our products, the collection of our accounts receivables, our ability to control our costs and expenses and our customers' payment schedule as well as general economic conditions, many of which will be beyond our control. If we do not have adequate cash inflows, or incur any significant cash outflows, our liquidity and business operation may be adversely affected.

**We may not continue to obtain favorable credit terms granted by our suppliers.**

We experienced an increase in both our trade payables and turnover days of trade and notes payables during the Track Record Period. Our trade payables increased from RMB998.4 million as of December 31, 2016 to RMB1,644.3 million as of April 30, 2019, and our turnover days of trade and notes payables increased from 147 days for the year ended December 31, 2016 to 181 days for the year ended December 31, 2018, and further increased to 238 days for the four months ended April 30, 2019. Such increase was primarily due to our business expansion as well as the favorable credit terms granted by our suppliers as the suppliers did not request us for an immediate settlement, which we believe was attributable to our leading market position in the concrete industry of Yunnan Province as well as our long-term relationship with them. YCIH is our Controlling Shareholder, and YCIH Group was our largest supplier during the Track Record Period. Our total purchases from YCIH Group for raw materials amounted to RMB200.0 million, RMB243.0 million, RMB166.9 million and RMB28.3 million, respectively, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, representing 11.0%, 9.8%, 6.1% and 3.5%, respectively, of the total purchase of our Group for the same period. We cannot assure you that we will continue to successfully negotiate and obtain favorable credit terms from our suppliers, including YCIH Group, as the credit terms granted by suppliers may be influenced by a number of factors that are out of our control, such as the financial performance and position of our suppliers, the raw material prices and the general economic conditions. If we could not continue to obtain favorable credit terms from our supplier, especially from YCIH Group, our liquidity and business operation may be adversely affected.

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**We may not be able to obtain financing on favorable terms to fund our operation, existing and future capital expenditure, acquisition and investment plans or meet other funding requirements.**

We need substantial amount of capital to meet our operational needs and build new batching plants. To fund our operation, existing and future capital expenditure, acquisition and investment plans and meet other funding requirements, we need sufficient internal sources of liquidity or access to additional financing from external sources. Our ability to obtain external financing in the future is subject to a variety of uncertainties, including:

- the future financial condition, operating results and cash flows;
- the condition of the global and domestic financial markets; and
- changes in the monetary policy of the PRC government with respect to bank interest rates and lending practices and conditions.

Deterioration, fluctuation, uncertainty or volatility in the capital markets or credit markets may limit our access to capital necessary for operating and expanding our business or cause us to bear a heavy burden in cost of capital, which could decrease our profitability and significantly reduce our financial flexibility.

In the event that our working capital is insufficient to meet our needs, we may have to seek additional financing. The availability of future banking facilities is subject to approval by the lenders. If we are unable to obtain financing on favorable terms, or at all, our operation may be adversely affected.

**We may be subject to liabilities in connection with accidents arising from our business and operations, which may not be sufficiently covered by our insurance.**

We are exposed to various risks, including the risk of liability for personal injury and loss of life, damage to or destruction of facilities and equipment, transportation damages and delays, fire, forest fire, environmental pollution, and risks posed by natural disasters and geological disasters in connection with our business and operations, which may not be able to be completely eliminated through implementation of preventive measures. Our business involves the operation of heavy machinery and transportation of products. Failure to operate properly or transport safely may result in physical injury or even death. If accidents result in employee injuries or deaths, we may be liable for medical and other payments to the injured or deceased employees and their families, and may be subject to fines or penalties imposed by relevant administrative authorities. Furthermore, we may be forced to shut down certain equipment or suspend our operation due to government investigation or requirement to implement additional safety measures. Such business interruptions will result in loss of profit to us.

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In line with what we believe to be industry practice, we have elected not to insure against certain risks or have agreed to limits on certain coverage. Furthermore, because insurance companies in China generally do not offer as extensive array of insurance products as insurance companies in more developed economies, some of the risks to which we are exposed are not insurable. We cannot ensure that we will be able to maintain our current insurance coverage at commercially reasonable premiums, or at all, or that any coverage we obtain will be adequate and available to cover the extent of any claims against us. If we suffer a significant liability for which we are not insured or our insurance coverage is inadequate, our business, financial condition and operating results could be adversely affected. For details of the insurance we have, please refer to the section headed “Business – Insurance”.

**We may not be able to adequately protect our intellectual property rights and we may be exposed to intellectual property infringement or misappropriation claims.**

We rely on a combination of patent, trademark, copyright and trade secret protections, as well as confidentiality agreements, to safeguard our intellectual property rights. With respect to proprietary know-how that is not patentable and production processes for which patents are difficult to enforce, we rely on trade secret protections, confidentiality agreements and other measures to safeguard our interests. As of the Latest Practicable Date, we had obtained seven invention patents, 32 utility model patents and two software copyrights granted by the China National Intellectual Property Administration. In addition, we also have other intellectual property rights such as unregistered business secrets, know-how, procedures and processes. For details, please refer to the section headed “Business – Intellectual Property”. However, the steps taken by us to protect such proprietary information may not be adequate to prevent misappropriation of our technologies because:

- individuals may not be deterred from misappropriating our technologies despite the existence of laws or contracts prohibiting misappropriation;
- policing unauthorized use of our intellectual property may be difficult, expensive and time-consuming, and we may be unable to determine the extent of any unauthorized use; and
- the PRC legal regime may not protect intellectual property rights to the same extent or level as in developed countries.

We cannot assure you that infringement of our intellectual property rights by other parties does not exist nor that it will not occur in the future. In addition, our success partially depends on our ability to use and develop our technologies and know-how without infringing the intellectual property rights of third parties. We may inadvertently employ third-party intellectual property in our business operations. Third parties may claim against us on any infringement or contribution to the infringement of their intellectual property rights, whether such claims are valid or not. In addition, because patent applications in many jurisdictions are kept confidential for an extended period before they are published, we may be unaware of pending patent applications by other parties that relate to our technologies, solutions or processes.

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The validity and scope of claims relating to patents involve complex scientific, legal and factual questions and analysis and, therefore, claims may involve high uncertainty. The prosecution and defense of intellectual property suits, patent opposition proceedings and related legal and administrative proceedings can be both costly and protracted and may significantly divert the efforts and resources of our technical and management personnel. An adverse determination in any such litigation or proceedings to which we may become a party could subject us to significant liability to third parties, require us to seek licenses from third parties, to pay ongoing royalties, or to redesign the site distribution and system of our batching plants or subject us to injunctions prohibiting the use of our technologies. The occurrence of any of the foregoing may have an adverse effect on our business, financial condition and operating results.

**The interest of our largest Shareholder may differ from the interests of other Shareholders, which may adversely affect our business and financial condition.**

Upon completion of the Global Offering, our largest Shareholder, YCIH, will directly and indirectly hold approximately 62.75% of our Company's issued share capital, assuming that the Over-allotment Option is not exercised. As our Controlling Shareholder and pursuant to the Articles of Association, YCIH will be able to influence our significant operational and financial decisions (including dividend plans and investment decisions) that require a vote by our Shareholders, including but not limited to:

- election of directors, thereby indirectly affecting the selection of our senior management;
- amount and timing of dividend payments and other distributions;
- acquisition of or merger with another entity;
- overall strategic and investment decisions;
- issuance of securities and adjustment to our capital structure;
- purchase or sale of material assets;
- proposals on annual financial budgets and final accounts; and
- amendments to the Articles of Association.

In addition, YCIH may also hold different opinions from other Shareholders from time to time, and may exercise its voting rights at its discretion according to its own interests. In particular, a controlling shareholder may:

- subject to applicable laws and regulations, cause our Board to act in a manner that may not be in the best interests of other Shareholders;

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- subject to the provisions of the Articles of Association, cause us to adopt amendments to the Articles of Association, including amendments that are not in the best interests of other Shareholders; or
- otherwise determine the outcome of most corporate actions, including the enforcement of indemnification in respect of any controlling shareholder and, subject to the applicable requirements of the Hong Kong Stock Exchange, cause us to effect corporate transactions without the approval of other Shareholders.

In the event that the interests of any Controlling Shareholder conflict with those of other Shareholders, other Shareholders may be at a disadvantage as a result.

**Loss of Directors, senior management executives, senior technicians and professionals could adversely affect our business and prospects.**

The growth of our business operations depends on the continuous service of our Directors and senior management executives. For relevant details, please refer to the section headed “Directors, Supervisors and Senior Management”. We will require an increasing number of experienced and competent senior management executives in the future to implement our growth plans. If one or more of our Directors and senior management executives are unable or unwilling to continue in their present positions, we might not be able to replace them easily, or at all, and our business, financial condition and operating results may be adversely affected.

Our future success also depends on, to a significant extent, among other things, our ability to attract and retain a large number of qualified, highly skilled and experienced research and development personnel, engineers as well as other skilled employees with industry related experience and expertise. Our research and development team with expertise in high-performance green concrete industry is critical to our technology development. Our senior technicians and quality control team are also essential to ensure sufficient supply and high quality of our products. Our ability to attract and retain key personnel is a critical aspect of our competitiveness. However, competition for these individuals could require us to offer higher compensation and other benefits in order to attract and retain them, which would increase our operating expenses and in turn adversely affect our financial condition and operating results.

**Failure to maintain effective product quality control management may have an adverse impact on our business, financial condition and operating results.**

Product quality is critical to the success of our business. Product quality control covers quality inspection and control of key raw materials for concrete such as cement, mineral additives, sand, stone and admixtures as well as the whole process of product mix proportion design and production process control, product performance testing and evaluation, product transportation and delivery, construction quality control, and quality acceptance, and involves the enforcement of and compliance with relevant national, industry and local standards. The quality of products relies mainly on the effectiveness of quality control management, which depends on a number of factors, including the establishment and improvement of relevant

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regulations and management systems, professional capabilities and skill levels of employees, and the importance and level of protection laid by customers on product quality. Any flaws in the quality control management process may lead to defective or unqualified products and result in delays in product delivery, rework, and even returns, which may cause a certain degree of adverse impact on our reputation, business, financial condition and operating results.

**Any product liability claims made against us, whether successful or not, could affect our business, operating results and financial condition.**

We are exposed to risks associated with product liability claims if the use of our concrete results in property damage or personal injury. Our concrete are used by our customers as construction materials for their construction projects. While we seek to ensure that our products meet a variety of contractual specifications and regulatory requirements, we cannot guarantee that product liability claims against us will not arise, whether due to product malfunctions, defects, or otherwise. We do not purchase product liability insurance. As a result, any dispute regarding the quality of our products may give rise to claims against us for losses and damages. Any such claims, regardless of whether they are ultimately successful, could incur litigation costs for us, harm our business reputation and disrupt our operations. Furthermore, we cannot guarantee that we will be able to successfully defend against such claims. If any such claims were ultimately successful, we could be required to pay substantial damages, which could adversely affect our business, operating results and financial condition.

**Any changes in the tax preferential treatment we currently enjoy in China may adversely affect our financial condition.**

We are entitled to tax incentives. On November 1, 2017, our Company was certified as a High-tech Enterprise (valid for three years commencing from 2017 and is renewable upon fulfillment of certain qualification requirements) by the government authorities in Yunnan Province, and enjoyed a preferential enterprise income tax rate of 15% since 2017 in accordance with the Enterprise Income Tax Law of the PRC. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our income tax expense amounted to RMB66.9 million, RMB52.4 million, RMB37.6 million and RMB7.3 million, respectively, and our effective tax rates were 25.5%, 19.3%, 17.3% and 16.9%, respectively. Please refer to the section headed “Financial Information – Key Factors Affecting Our Results of Operations – Taxation” for more details. We cannot assure you that such treatments will not be abated or revoked. Expiration or termination of, or other adverse changes to, any of these tax incentives, or reduction or discontinuation of these government grants could adversely affect our financial condition and operating results. In addition, the PRC government adjusts or changes from time to time its policies on value-added tax, business tax and other taxes. Such adjustments or changes, together with any uncertainty resulting therefrom, could have an adverse effect on our business, financial condition and operating results.

Furthermore, we are subject to periodic examinations on our fulfillment of tax obligations under the PRC tax laws and regulations by PRC tax authorities. Although in the past we have acted in compliance with requirements under the relevant PRC tax laws and regulations in all



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material aspects and established internal control measures in relation to accounting regularities, we cannot guarantee that future examinations by PRC tax authorities would not result in fines, other penalties or actions that could adversely affect our business, financial condition and operating results as well as our reputation.

**Any changes in policies of relevant government agencies on payment of social insurance premiums and housing provident funds may affect our financial condition and operating results.**

Pursuant to Social Insurance Law of the PRC and the Regulations on the Management of Housing Provident Fund, we are required to pay social insurance premiums and housing provident funds for our employees. We have, in all material aspects, complied with relevant PRC laws and regulations and paid social insurance and housing provident fund contributions for our employees during the Track Record Period and up to the Latest Practicable Date.

On July 20, 2018, the State Council issued a reform plan (the “**Reform Plan**”) of the collection system of state tax and local tax, pursuant to which from January 1, 2019, the social insurance contributions are collected by the tax bureaus. Nevertheless, according to the Urgent Notice on Enforcing the Requirement of the General Meeting of the State Council and Stabilization on the Levy of Social Insurance Payment (《關於貫徹落實國務院常務會議精神切實做好穩定社保費徵收工作的緊急通知》) (the “**Notice**”) issued by the MOHRSS on September 21, 2018, the MOHRSS will work with other government departments to issue detailed policies in order to decrease the social insurance contribution rates and ensure that no additional burden will be imposed on enterprises when implementing the Reform Plan. However, we cannot assure you that the Chinese government or relevant local authorities will not enforce any laws and regulations or interpret current laws and regulations in a more rigorous manner. Any changes in policies of relevant government agencies on payment of social insurance premiums and housing provident funds may lead to additional costs for us and our financial condition and operating results may be adversely affected as a result thereof.

**We are subject to environmental regulations and may be exposed to potential costs for environmental compliance. Our failure to comply with environmental regulations may subject us to penalties.**

Our operations are subject to environmental laws and regulations relating to, among others, noise, waste water, and wastes management. In addition, the construction and operation of our production facilities may have an impact on the environment. We cannot assure you that our facilities and equipment will maintain a condition that always meets all the standards under applicable environmental laws and regulations. Any violation of these laws and regulations may result in substantial fines, revocations of operating permits, shutdown of our facilities and obligations to take corrective measures. Moreover, the PRC government may take steps towards adopting more stringent environmental regulations. Due to the possibility of unanticipated regulatory or other developments, the amount and timing of environmental expenditures may vary substantially from those originally anticipated. If there is any change in the environmental regulations, we may incur substantial capital expenditures to comply with

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environmental protection laws and regulations, including the costs of installing, replacing or upgrading our equipment related to pollution control and the costs of operational changes to limit any adverse impact of our operations on the environment. Any limitations or costs incurred as a result of our non-compliance with environmental laws and regulations may have an adverse effect on our business, financial condition and operating results.

### **Our production may be disrupted for reasons beyond our control.**

Our manufacturing operations could be disrupted for reasons beyond our control. The cause of disruptions could include extreme weather conditions, fire, natural catastrophes, geological disasters (including earthquakes, landslides and mudslides), infectious diseases, raw material supply shortages, equipment and system failures, workforce shortages and transportation resources shortages. Any significant disruption to our operations could adversely affect our ability to manufacture and sell products or deliver services, leading to adverse impact on our business, financial condition and operating results.

In addition, due to the nature of our business, the operations of our batching plants and other production facilities are subject to operating risks, including risks relating to unloading raw materials in site area and transporting products, risks of crack or rupture, explosion, and leakage of pressure vessel and storage tank, risks arising during hot work, electricity usage, and maintenance, and risks of damaging mechanical equipment during product processing (including risks arising during the transportation and use of mixing equipment, electrical machinery, batching scale, and belt). These operating risks could cause personal injury or death, property and environmental damage and could result in a civil liability, an imposition of administrative or criminal penalties or a loss of revenue for us. The occurrence of any of these events could have an adverse impact on the productivity and profitability of individual manufacturing facilities, and even on our business, financial condition or operating results.

### **The intensified competition in the concrete industry may have adverse impacts on our business and financial condition.**

According to the CIC Report, the ready-mixed concrete market in China is highly fragmented and competitive. In 2018, the number of ready-mixed concrete production enterprises in China was approximately 10,000, of which large-scale production enterprises with an annual production volume of one million cubic meters and more, accounting for only approximately 2.0% of the total number of enterprises. Similar to the national ready-mixed concrete market, the ready-mixed concrete market in Yunnan Province is also fairly fragmented and competitive. In 2018, the number of ready-mixed concrete production enterprises in Yunnan Province was approximately 370, of which only five were large-scale production enterprises with an annual production volume of one million cubic meters and more, accounting for approximately 1.4% of the total number of enterprises.

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Our major competitors include national concrete production enterprises with presence in Yunnan Province as well as small regional concrete production enterprises in segment markets in which we compete. We compete directly with these and other competitors for customers, raw materials, energy resources and distribution network. Many of our current and potential competitors may have better recognition in local markets, better pricing or greater financial, technical or marketing resources than we do. If we fail to effectively compete with our competitors in terms of product quality, product type, technology, location of production facilities, access to resources, sales and marketing network, production efficiency, and market reputation, our business, financial condition and operating results may be adversely affected given the highly competitive market environment.

We secure part of our projects and business through competitive negotiation and bidding and tendering. Our major product, ready-mixed concrete, is a downstream product, the price of which is determined based on the following factors: prices of raw materials (such as cement, aggregates and mineral additives), project complexity and technical difficulties, geological conditions of the construction project, cost for construction of batching plants, amortization of equipment and fixed cost, labor costs and requirements on equipment, and prevailing market price. However, we cannot ascertain whether we can secure projects at a competitive price. If we fail to win over a competitor and bid successfully, our business operating results and financial condition may be adversely affected.

**We may not be able to maintain our historical revenue growth or profitability, and our operating results may fluctuate significantly. If our results fall short of market expectations, the trading price of our H Shares may decline significantly.**

We have experienced growth in revenue during 2016, 2017 and 2018. Our revenue increased from RMB2,404.6 million in 2016 to RMB3,357.1 million in 2018, representing a CAGR of approximately 18.2%. For the years ended December 31, 2016, 2017 and 2018, our profit was RMB195.8 million, RMB219.1 million, RMB179.4 million, respectively. We cannot assure you that we are able to maintain our revenue growth or profitability at a historical level or at all.

Moreover, our operating results may fluctuate from time to time as a result of a number of factors, many of which are beyond our control. These conditions could make our operating results difficult to predict. The trading price of H Shares may also move with the substantial fluctuation of our results. As a result, our historical operating results should not be relied upon as an indication of our future performance.

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**Our operations require certain permits, licenses, approvals and certificates, which are subject to periodic inspections, examinations, enquiries and audits by regulatory authorities and the revocation, cancelation or non-renewal of which could significantly hinder our business and operations.**

Under relevant laws and regulations for some of our businesses, we are required to obtain and maintain valid permits, licenses, certificates and approvals (including but not limited to Construction Enterprise Qualification Certificate) from various government authorities or institutions. We must comply with the restrictions and conditions imposed by various levels of government agencies to maintain our permits, licenses, approvals and certificates. If we fail to comply with any of the regulations or satisfy any of the conditions required for the maintenance of our permits, licenses, approvals and certificates, we are exposed to the risks of administrative penalties, and our permits, licenses, approvals and certificates could be temporarily suspended or even revoked, or the renewal thereof, upon expiry of their original terms, may be delayed or rejected, which could adversely impact our business, financial condition and operating results. Please refer to the section headed “Business – Licenses and Permits”.

In order to ensure our compliance with the restrictions and conditions required for maintaining our permits, licenses, approvals and certificates, the PRC government authorities at various levels conduct routine or special inspections, examinations, enquiries and audits on us. We may be subject to suspension or revocation of the relevant permits, licenses, approvals or certificates, or fines or other penalties due to any non-compliance identified as a result of such inspections, examinations, enquiries and audits. Directors and our PRC Legal Advisor confirm that, as of the Latest Practicable Date: (i) our Group had obtained all material requisite certificates, licenses, permits and approvals required for our business operations; and (ii) such licenses, permits, and certificates were valid and subsisting. We cannot ensure that we will be able to maintain or renew our existing permits, licenses, approvals and certificates or obtain future permits, licenses, approvals and certificates required for our continued operation on a timely basis or at all. In the event that we fail to comply with applicable laws and regulations or fail to maintain, renew or obtain the necessary permits, licenses, approvals or certificates, our qualifications to conduct our various businesses may be adversely affected.

**Our planned expansion in new regions in China may be delayed or not successful.**

We intend to actively seek expansion opportunities in China. Our current operations are based in Yunnan Province and we may encounter difficulties when expanding into new markets. We may lack knowledge and experience with certain local markets, and our competitors in these new markets may have stronger financial resources, more established presence, stronger relationships with local governments and better understanding of customer requirements and preferences. Our efforts to expand our operations geographically are likely to depend on a number of factors beyond our control, including the macroeconomic conditions and policies implemented by the central and the local governments, the level of competition in the concrete production industry, changes in customer demand, prices of equipment and raw materials, price of concrete, and transportation cost. As such, we may not be able to manage our expansion effectively and efficiently, which could adversely affect our operating results.

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**Our operations and plans for overseas business development are subject to risks and restrictions associated with our international business and operations.**

We may consider expanding business operations overseas as part of our future strategic plan. In particular, we intend to seize the opportunities brought about by the Belt and Road Initiative and tap into overseas markets with our rich experience accumulated in the concrete industry. Overseas sales are exposed to various risks and restrictions associated with conducting business in foreign countries and regions, including:

- compliance with foreign laws, regulatory requirements and local industry standards, in particular, those related to industrial construction;
- exposure to litigation risks outside China;
- political and economic instabilities;
- high access barriers in certain developed foreign markets;
- foreign exchange rate exposure;
- unfamiliarity with local operating and market conditions;
- cultural and language difficulties;
- trade restrictions, technology barriers, protectionism and economic sanctions;
- competitions from other international building materials companies or concrete production companies;
- local practices on contract bidding and payments;
- difficulties with staffing and managing overseas business after localization, including managing an increasing number of overseas employees and complying with various labor regulatory requirements of different jurisdictions;
- stringent environment, safety and labor standards; and
- managing relationships with and collecting payments from foreign customers.

Any of the foregoing and related risks and uncertainties could adversely affect our international operations, which in turn could adversely affect our financial condition and operating results.

We cannot predict the effect that current conditions affecting various foreign economies or future changes in economic or political conditions abroad could have on the feasibility and costs of the projects we intend to invest in or acquire. Any of the above factors may have an adverse effect on our overseas plans and, consequently, our business, prospects, financial condition and operating results.

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### **Our backlog and new contract value may not be indicative of our future operating results.**

Backlog represents the estimated total contract value of outstanding products or services at a specific date. The contract value of the project refers to the amount that we expect to receive under the terms of the contract after performing the contractual terms. New contract value represents the aggregate value of contracts that we entered into during a specified period. Neither backlog or new contract value is a measurement indicator defined under the generally accepted accounting policies and may not be indicative of future operating results. As of December 31, 2016, 2017 and 2018 and April 30, 2019, our backlog for ready-mixed concrete were RMB2,127.8 million, RMB2,668.4 million, RMB2,625.6 million and RMB2,585.3 million, respectively. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total new contract value (excluding tax) for ready-mixed concrete was RMB3,527.2 million, RMB3,800.5 million, RMB3,456.0 million and RMB993.1 million, respectively. For details, please refer to the section headed “Business – Backlog and New Contract Value”.

Our supply of concrete and the recognition of our sales revenue depend largely on the progress of our customers’ projects, which depends on a number of factors beyond our control, such as market conditions, government policies, applicable laws and regulations, available funds, transportation, potential disputes with partners, raw material suppliers, employees and local governments, supply of electricity and other energies, supply of technical or human resource, and natural disasters. Therefore, we cannot guarantee that our backlog will be recognized as revenue according to our expected progress.

Moreover, our current backlog is based on the assumption that our relevant contracts will be fully performed in accordance with the terms. Termination or modification of any one or more major contracts may have adverse impacts on our backlog. However, we cannot guarantee that the estimated amount in our backlog will be realized in full and in a timely manner, or at all, or that, even if it can be realized, such backlog will turn into profits as expected. Therefore, the backlog information presented in this prospectus should not be relied upon as an indicator of our future revenue and profit.

### **We may be involved in legal and other proceedings arising out of our business from time to time and may face significant liabilities as a result.**

We may be involved in legal proceedings, including contract disputes, labor disputes and other litigations, which arise from time to time in our ordinary course of business. In addition, we may also be subject to administrative penalties for our failure to comply with regulatory requirements. We may be involved in disputes with various parties arising outside our operations. Disputes and administrative penalties may lead to protests, legal or other proceedings, and may result in disruption of our business plan, damage to our reputation, additional costs and diversion of our resources and management’s attention. We cannot assure you that we will not be involved in any major disputes or legal or other proceedings in the future. In addition, even though we may not be directly involved in such proceedings, our senior officers and management may be involved in litigation or other legal proceedings from time to time, which may affect our reputation and, consequently, adversely affect our business.

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**We may not be able to detect and prevent fraud, bribery or other misconducts committed by our employees or third parties.**

We may be exposed to fraud, bribery or other misconducts committed by our employees, suppliers, customers or other third parties that could subject us to financial losses and regulatory penalties and adversely affect our reputation. Our internal control procedures are designed to monitor our operations and ensure overall compliance. However, our internal control procedures may be unable to identify all non-compliance incidents or suspicious activities in a timely manner or at all. Bribery, including acceptance of kickbacks, bribes or other illegal benefits or gains by our employees or third parties, such as our suppliers, in our ordinary course of business may be difficult to detect or prevent and the precautions we take to detect and prevent such activities may not be effective. In addition to potential financial losses, misconduct of our employees or third parties could subject us to third-party claims and regulatory investigations. Our failure to detect and prevent fraud, bribery and other misconduct may have an adverse impact on our reputation, business, financial condition, and operating results.

**Our information technology system may experience failures or security breaches.**

We rely to a large extent on our information technology systems for our daily operations. Our information technology systems are critical to our operations and support our key operational processes, including concrete production operation, financial management and administration. Despite our security measures, our internal computer systems may be harmed by computer viruses and unauthorized access. Although to our knowledge, we have not experienced any material system failure or security breach so far, if such incidents occur and cause disruption of our operations, they may lead to material interruption of our business operations and our development plans.

**We have not obtained valid title certificates for some of the properties and land that we own and occupy.**

For some of the properties we occupy in the PRC, we, or our landlords, have not yet obtained sufficient title certificates that allow us to freely use or transfer the properties that we own and occupy. For example, as of the Latest Practicable Date, for one of our concrete production bases (including buildings and certain production facilities) with an aggregated GFA of 25,848.6 square meters, we had obtained the planning permit and are currently in the process of obtaining the construction permit. Please refer to the section headed “Business – Property” for details.

As of the Latest Practicable Date, the lessors of nine buildings, with an aggregate GFA of 13,631.0 square meters, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the buildings to us (among which, the lessors of four buildings had obtained a planning permit for construction or a provisional planning permit for construction issued by the competent authorities). As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such buildings.

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Please refer to the section headed “Business – Property” for details. In addition, our landlords may have not obtained title certificates for certain lands that we occupy in China. As of the Latest Practicable Date, the lessors of 19 parcels of our leased land, with a total site area of 180,197.7 square meters had not provided us with valid title certificates or relevant authorization documents that they have the right to lease such land to us. Therefore, such leases may be invalid and we may not be able to continue to use such land. Please refer to the section headed “Business – Property” for details.

We cannot predict how our rights as owner or lessee of these properties or land and our business operations and financial condition may be adversely affected as a result of our failure to obtain the legal titles to own, occupy or use these properties or land. We cannot guarantee that ownership disputes or claims will not occur or that third parties will not assert any claims against us for compensation in respect of any illegal and/or unauthorized use of their properties. We also cannot ascertain whether our occupation and use of these properties will be punished by relevant government authorities. If we are unable to properly occupy and use such properties, we may be forced to relocate, especially to relocate our concrete batching plants. We also cannot guarantee that we will be able to relocate our concrete batching plants on acceptable terms and to appropriate geographical locations. In addition, relocation will result in additional costs for us, and affect our supply of concrete to our customers. The occurrence of any of the above will adversely affect our business, financial condition and operating results.

### **RISKS RELATING TO THE PRC**

**Any changes in China’s economic, political and social conditions, as well as the regulatory policies could adversely affect our business, financial condition, operating results and prospects.**

Our Company is incorporated in the PRC, and we derived all of our revenue from customers based in the PRC, and therefore our financial condition, operating results and prospects depend to a large extent on economic, political, legal and social developments in the PRC. The PRC economy differs from the economies of the developed countries in many aspects, including the extent of government involvement, level of development, growth rate, foreign exchange controls and resource allocation.

Based on GDP, China was one of the fastest growing economies in the world in recent years. However, China may fail to sustain its growth rate. In order to maintain economic growth in China, the PRC government has taken and may continue to implement a range of monetary policies and other economic measures to expand the investment in infrastructure projects, increase the liquidity of credit market and encourage employment. Other economic, political, legal and social factors may also lead to further adjustments of the reform measures in the PRC. This improvement and adjustment process may not necessarily have a positive effect on our operations and business development. If there is slow growth or even a recession in the PRC economy, the demand for concrete may be affected, our interest expenses may increase, or our access to credit may reduce. Such changes in the PRC economy and relevant



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markets in future may adversely affect our business, financial condition and operating results. In addition, while China's economy has experienced significant growth in the past decades, the growth has been uneven across both geographic regions and the various sectors of the economy. Our business may also be affected by the PRC government's economic, political and social policies on the development of Yunnan Province and other provinces, policies in relation to production and supply of concrete, and any changes to the relevant PRC regulations on the concrete production and supply industry.

**Restrictions on the remittance of RMB into and out of the PRC and governmental control of currency conversion may limit our ability to pay dividends and other obligations, and affect the value of your investment.**

The PRC government imposes controls on the convertibility of RMB into foreign currencies. We receive all of our revenue in RMB. We may convert a portion of our revenue into other currencies to meet our foreign currency obligations, such as payments to certain suppliers and payments of dividends declared in respect of our Shares, if any. Shortages in the availability of foreign currency as a result of difficulty in foreign currency exchange and/or a large temporary payment in foreign currency may restrict our ability to remit sufficient foreign currency to pay dividends, or otherwise satisfy our foreign currency denominated obligations.

Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with competent government authorities is required where RMB is to be converted into foreign currency and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may at its discretion restrict access to foreign currencies for current account transactions in the future. If the foreign exchange control system prevents us from obtaining sufficient foreign currencies to satisfy our foreign currency demands, we may not be able to pay dividends in foreign currencies to our Shareholders. Further, we cannot assure you that new regulations will not be promulgated in the future that would have the effect of further restricting the remittance of RMB into or out of China.

**Fluctuations in the value of the RMB could have an adverse effect on your investment.**

The value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies is affected by, among other things, changes in the PRC's foreign exchange policies and international economic and political developments. There remains significant international pressure on the PRC government to adopt a more flexible currency policy, which may result in further and more significant fluctuations in the value of RMB against Hong Kong dollar, U.S. dollar and other foreign currencies.

All of our revenue and expenses are denominated in RMB and fluctuations in exchange rates may adversely affect the value of our net asset and earnings. In addition, the dividends from our H Shares will be received in Hong Kong dollars. As a result, any appreciation of RMB

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against U.S. dollars, Hong Kong dollars or any other foreign currencies may result in a decrease in the value of the dividend earnings. Conversely, any depreciation of the RMB may adversely affect the value of our H Shares in foreign currency. Any significant fluctuation in the value of the RMB against foreign currencies could adversely affect us and the value of your investment in our H Shares.

**The interpretation and enforcement of PRC laws and regulations involve significant uncertainties and PRC laws differ from the laws of common law jurisdictions.**

We are established and existent under the laws of the PRC. Our business operation in the PRC is subject to Chinese laws and regulations. The PRC legal system is based on written statutes. Prior court decisions may be cited for reference but have limited precedential value. In addition, PRC written statutes are often principle-oriented and require detailed interpretations by judicial and enforcement bodies in applying and enforcing such laws. Since 1979, the PRC government has been developing a comprehensive system of commercial laws, and considerable progress has been made in introducing laws and regulations dealing with economic matters such as foreign investment, corporate organization and governance, commerce, taxation and trade. However, as many of these laws and regulations are relatively new, and due to the limited number of published cases and judicial interpretations and their lack of precedential force, interpretation and enforcement of these laws and regulations involve significant uncertainties. For example, according to the Administrative Measures for Approval and Record-filing of Enterprise Invested Projects (《企業投資項目核准和備案管理辦法》) promulgated by NDRC on March 8, 2017, a fine of RMB20,000 to RMB50,000 is imposed on any failure to file any projects subject to filing process or notify any subsequent change on the filed information. Some of our batching plants did not make such filings nor are being requested by the local authorities to. In the case of any changes on the enforcement of such regulations in future, we may be subject to a fine. As the PRC legal system is under development, there can be no assurance that changes in such laws and regulations, or in their interpretation or enforcement, will not have an adverse effect on our business operations.

Furthermore, certain important aspects of the PRC Company Law are different from the corporate laws of common law jurisdictions such as Hong Kong and the United States, particularly with respect to investor protection, such as shareholder class-action suits and measures protecting the non-controlling shareholders, restrictions on directors, disclosure requirements, different rights of classified shareholders, general meeting procedure and disbursement of dividends. These aspects of the PRC Company Law can, to some extent, be mitigated through the application of Mandatory Provisions and certain other provisions of the Hong Kong Listing Rules, including the inclusion of Mandatory Provisions in the listing company's articles of association. This process decreases the discrepancies between Hong Kong and the PRC Company Law and strengthens investor protection. Our Articles of Association include the provisions required under the Hong Kong Listing Rules. Although such provisions have been included, we cannot assure you that no discrepancy exists between the protections given to our investors and those given to investors in companies incorporated in common law jurisdictions.

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### **Holders of our H Shares may be subject to PRC income tax obligations.**

Under the current PRC tax laws and regulations, non-PRC resident individuals and non-PRC resident enterprises are subject to different tax obligations with respect to the dividends paid to them by us and the gains realized upon the sale or other disposition of H Shares.

Non-PRC resident individuals are required to pay PRC individual income tax at a 20% rate for the income derived in China under Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) and its implementation guidelines. Accordingly, we are required to withhold such tax from dividend payments, unless applicable tax treaties between China and the jurisdiction in which the foreign individual resides reduce or provide an exemption for the relevant tax obligations.

For non-PRC resident enterprises that do not have establishments or premises in China, and for those who have establishments or premises in China but whose income is not related to such establishments or premises, under the Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》), dividends paid by us and gains realized by such foreign enterprises upon the sale or other disposition of H Shares are typically subject to PRC enterprise income tax at a 20% rate. In accordance with the Circular on Issues Relating to the Withholding of Enterprise Income Tax by PRC Resident Enterprises on Dividends Paid to Overseas Non-PRC Resident Enterprise Shareholders of H Shares (《關於中國居民企業向境外H股非居民企業股東派發股息代扣代繳企業所得稅有關問題的通知》) issued by SAT, such tax rate has been reduced to 10%, subject to a further reduction under a special arrangement or an applicable treaty between China and the jurisdiction of the residence of the relevant non-PRC resident enterprise.

Despite the arrangements mentioned above, there are uncertainties as to the interpretation and application of applicable PRC tax laws and regulations due to several factors, including whether the relevant preferential tax treatment will be revoked in the future such that all non-PRC resident individual holders will be subject to PRC individual income tax at a flat rate of 20%. In addition, there remains significant uncertainty as to the interpretation and application of applicable PRC tax laws and rules by the PRC's tax authorities, including the taxation of capital gains by non-PRC resident enterprises, individual income tax on dividends to non-PRC resident individual holders of our H Shares and on gains realized on the sale or other disposition of our H Shares. The PRC's tax laws, rules and regulations may also change. If there is any change to applicable tax laws and rules and interpretation or application with respect to such laws and rules, the value of your investment in our H Shares may be materially affected.

### **Investors may experience difficulties in effecting service of legal proceedings and enforcing judgments against us, Directors, Supervisors or senior management.**

We are a company incorporated in the PRC and all of our assets are located in the PRC. In addition, the majority of our Directors and senior management reside in the PRC. As a result, it may be difficult for investors to effect service of proceedings outside of China upon us, our Directors or senior management or to enforce judgments against us by courts outside the PRC.

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A judgment of a court in another jurisdiction may be reciprocally recognized or enforced in the PRC only if the jurisdiction has a treaty with the PRC or if the jurisdiction has been otherwise deemed by the PRC courts to satisfy the requirements for reciprocal recognition, subject to the satisfaction of other requirements. However, the PRC is not a party to treaties providing for the reciprocal enforcement of judgments of courts with foreign countries such as the United States and the United Kingdom and enforcement in the PRC of judgments of a court in these jurisdictions may consequently be difficult or impossible.

According to the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned (《關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排》), a party concerned in a civil or commercial case pursuant to any written choice of court agreement may apply to a designated People's Court of the PRC or Hong Kong court for recognition and enforcement of the judgment requiring payment of money.

On January 18, 2019, the Supreme People's Court of China and the Department of Justice of the Hong Kong Special Administrative Region signed the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region (《關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排》) in Beijing. Article 30 of the above arrangement provides that: "On the effective date of this arrangement, the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned shall be abolished at the same time. Prior to the effectiveness of this arrangement, the arrangement still applies to the "Written Jurisdiction Agreement" under the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements between Parties Concerned entered into by the parties concerned.

The above arrangement has not taken effect, but the parties to the agreement have begun to implement the corresponding approval procedures. After the Supreme People's Court issues the judicial interpretation and the Hong Kong Special Administrative Region completes the relevant procedures, the above arrangement will be effective. And the requirements in relation to the reciprocal recognition and enforcement of judgments in civil and commercial matters by the courts of the mainland and of the Hong Kong Special Administrative Region will be subject to such arrangements.

However, the rights under the current arrangement and the new arrangement that will take effect in the future may be limited, and the interpretation and the development of the concluded cases are not completed. Therefore, the results and effects of the legal actions instituted under the existing arrangement and the arrangement that will take effect in the future have not been ascertained.

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## RISK FACTORS

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Our Articles of Association provide that disputes between holders of our H Shares and us, our Directors, Supervisors or senior management, arising out of our Articles of Association, PRC Company Law and applicable regulations concerning our business and activities, are to be resolved through arbitration by the China International Economic and Trade Arbitration Commission (CIETAC) or the Hong Kong International Arbitration Centre (HKIAC). Awards made by the PRC arbitral authorities recognized under the Hong Kong Arbitration Ordinance can be enforced in Hong Kong. Hong Kong arbitral awards are also enforceable in the PRC, subject to the satisfaction of certain PRC legal requirements. However, we are uncertain whether the action brought in the PRC to enforce an arbitral award made in favor of holders of H Shares would succeed.

### **RISKS RELATING TO THE GLOBAL OFFERING**

**An active trading market for our H Shares may not develop and the trading volume and market price of our H Shares may be volatile, which could result in substantial losses for investors who purchase our H Shares in the Global Offering.**

Prior to the Global Offering, there was no public market for our H Shares. We cannot assure you that a public market for our H Shares with adequate liquidity and trading volume will develop and be sustained following the completion of Global Offering. In addition, the Offer Price of our H Shares is expected to be fixed by agreement between the Underwriter(s) and us, and may significantly differ from the market price of our H Shares following the completion of the Global Offering. If an active public market for our H Shares does not develop following the completion of Global Offering, the market price and liquidity of our H Shares could be adversely affected.

In addition, the trading price and trading volume of the H Shares may be subject to significant volatility as a result of various factors, including:

- variations in our operating results or differences between our operating results and those expected by investors and analysts;
- changes in securities analysts' estimates of our financial performance;
- announcements made by us or our competitors;
- regulatory developments or market changes in the PRC affecting us or our industry;
- any business interruptions resulting from natural disasters or accidents;
- investors' perception of us and of the investment environment in Asia, including Hong Kong and the PRC;
- announcements of or completions of acquisitions, strategic alliances or joint ventures by us or our competitors;

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## RISK FACTORS

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- addition or departure of our key personnel;
- release or expiration of lock-up or other transfer restrictions on our Shares;
- liability claims brought against us;
- involvement in litigation; and
- general political, economic, financial, social development and stock market conditions and other factors.

Moreover, in recent years, stock markets in general, and the H shares issued by other issuers in the PRC and listed on the Hong Kong Stock Exchange both have experienced price and volume fluctuations, some of which were unrelated or did not fully correspond to the operating performance of related companies. These broad market and industry fluctuations may adversely affect the market price of our H Shares in a similar manner.

**As the Offer Price of our H Shares is higher than our net tangible assets book value per Share, purchasers of our H Shares in the Global Offering may experience immediate dilution upon such purchases.**

As the Offer Price of our H Shares is higher than the net tangible assets per Share, purchasers of H Shares in the Global Offering will experience an immediate dilution in pro forma adjusted net tangible assets per Share in their Shares while existing Shareholders will receive an increase in the pro forma adjusted net tangible asset value per Share of their shares. In addition, holders of our H Shares may experience further dilution of their interest if the Sole Global Coordinator (on behalf of the International Underwriter(s)) exercises the Over-allotment Option or if we issue additional shares in the future to raise additional capital.

**Sales or expected sales of large amounts of our H Shares or other securities relating to our H Shares in the public market could adversely affect the market price of our H Shares.**

Future sales by our Shareholders of substantial amounts of our H Shares or other securities relating to our H Shares in the public markets after the Global Offering, or the perception that these sales may occur, could adversely affect market prices of our H Shares prevailing from time to time.

In addition, Domestic Shares can be converted into H Shares after Listing subject to relevant laws and regulations and approvals. Please refer to the section headed “Information about this Prospectus and Global Offering – Restrictions on Offer and Sale of the H Shares” for a more detailed discussion of restrictions that may apply to future sales of our H Shares. After these restrictions lapse, the market price of our H Shares may decline as a result of future sales of substantial amounts of our H Shares or other securities relating to our H Shares in the public market, the issuance of new H Shares or other securities relating to our H Shares, the conversion of substantial amounts of Domestic Shares into H Shares or the perception that such sales, conversion or issuances may occur. This could also adversely affect our ability to raise capital at a time and at a price we deem appropriate.

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## RISK FACTORS

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In addition, our Shareholders may experience dilution in their holdings when we issue additional securities in future offerings. New equity or equity-linked securities issued by us may also confer rights and privileges that take priority over those conferred by the H Shares.

**Dividends distributed in the past may not be indicative of our dividend policy in the future.**

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our Company declared dividends of approximately RMB82.2 million, nil, nil and RMB243.2 million, respectively, to Shareholders. For details, please refer to the sections headed “Financial Information – Dividend Policy” and “Financial Information – Dividend Distribution Before Listing”. Distribution of dividends shall be decided by our Board at its discretion and will be subject to our Shareholders’ approval. A decision to declare or pay any dividends and the amount thereof will depend on various factors, including but not limited to our overall business conditions, operating results, and financial results, operating capital, capital requirements, future prospects, cash flows and any other factors considered by the Board to be relevant to declaration of dividends. In principle, we expect to distribute the dividends once a year in an amount of no less than one third of our annual distributable profit attributable to equity holders of our Company for the relevant year, and such distribution shall be made within the subsequent year. However, there can be no assurance whether, when and in what form we will pay dividends in the future. Subject to any of the above constraints, we may not be able to pay dividends in accordance with our dividend policy. We cannot guarantee when, if and in what form dividends will be paid in the future.

**Our H Shares may be subject to cancelation or disciplinary proceedings if there is a breach by us of the Hong Kong Listing Rules or any undertakings made to the Hong Kong Stock Exchange.**

Upon the Listing, we will be required to comply with applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) and any other undertakings made to the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of, or any circumstance which causes us to breach, the Hong Kong Listing Rules or such other undertakings made to the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancelation or disciplinary proceedings in accordance with the Hong Kong Listing Rules.

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## RISK FACTORS

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**There can be no assurance of the accuracy or completeness of certain facts, forecasts and other statistics obtained from various government publications, market data providers and other independent third-party sources contained in this prospectus.**

This prospectus, particularly the section headed “Industry Overview”, contains certain information and statistics, including but not limited to information and statistics relating to China, China’s economy, China’s construction industry and concrete industry. Such information and statistics have been derived from third-party reports commissioned by us, various government publications and other publicly available sources. We believe that the sources of the information are appropriate for such information, and we have taken reasonable care in extracting and reproducing such information. However, we cannot guarantee the quality or reliability of such materials. The information has not been independently verified by us, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Sole Sponsor, the Underwriter(s) or any other parties involved in the Global Offering, and no representation is given as to its accuracy. Collection methods of such information may be flawed or ineffective, or there may be discrepancies between published information and market practice, which may result in the statistics included in this prospectus being inaccurate or not comparable to statistics produced for other economies. You should therefore not place undue reliance on such information. In addition, we cannot assure you that such information is accurate or stated or compiled on the same basis or with the same degree of accuracy as similar statistics presented elsewhere. Some industry projections may not be accurate. In any event, you should consider carefully the importance placed on such information or statistics.

**You should read the entire prospectus carefully, and do not rely on any information contained in press articles or other media regarding ourselves and the Global Offering.**

Prior to or after the publication of this prospectus, there have been or may be press and media coverage regarding us and the Global Offering, which contained, among other things, certain financial information, projections, valuations and other forward-looking information about us and the Global Offering. We have not authorized the disclosure of any such information in the press or media and do not accept responsibility for the appropriateness, accuracy, completeness or reliability of such press articles or other media coverage. We make no representation as to the appropriateness, accuracy, completeness or reliability of any of the projections, valuations or other forward-looking information about us. To the extent such statements are inconsistent with, or conflict with, the information contained in this prospectus, we disclaim responsibility for them. Accordingly, prospective investors in our H Shares are cautioned to make their investment decisions on the basis of the information contained in this prospectus only, and should not rely on any other information.



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## RISK FACTORS

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**Forward-looking statements contained in this prospectus are subject to risks and uncertainties.**

This prospectus contains certain statements and information that are forward looking and uses forward-looking terminology such as “anticipate”, “believe”, “could”, “going forward”, “intend”, “plan”, “project”, “seek”, “expect”, “may”, “ought to”, “should”, “would”, or “will” and similar expressions. You are cautioned that reliance on any forward-looking statement involves risks and uncertainties and that any or all of those assumptions could prove to be inaccurate and as a result, the forward-looking statements based on those assumptions could also be incorrect. In light of these and other risks and uncertainties, the inclusion of forward-looking statements in this prospectus should not be regarded as representations or warranties by us that our plans and objectives will be achieved and these forward-looking statements should be considered in light of various important factors, including those set forth in this section. Subject to the requirements of the Hong Kong Listing Rules, we do not intend publicly to update or otherwise revise the forward-looking statements in this prospectus, whether as a result of new information, future events or otherwise. Accordingly, you should not place undue reliance on any forward-looking information. All forward-looking statements in this prospectus are qualified by reference to this cautionary statement.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

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In preparation for the Listing, our Company has sought the following waivers from strict compliance with the relevant provisions of the Hong Kong Listing Rules.

### MANAGEMENT PRESENCE IN HONG KONG

According to Rules 8.12 and 19A.15 of the Hong Kong Listing Rules, except as otherwise permitted by the Hong Kong Stock Exchange at its discretion, a new applicant applying for a primary listing on the Hong Kong Stock Exchange must have a sufficient management presence in Hong Kong. This will normally mean that at least two of its executive directors must be ordinarily resident in Hong Kong.

Since our headquarters and substantially all of our business operations are or will be based, managed and conducted in Yunnan Province, the PRC, our Company does not, and in the foreseeable future, will not, have executive Directors ordinarily residing in Hong Kong in compliance with the requirements under Rules 8.12 and 19A.15 of the Hong Kong Listing Rules. We have applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with Rules 8.12 and 19A.15 of the Hong Kong Listing Rules. We have made the following arrangements to maintain effective communication between us and the Hong Kong Stock Exchange:

- (a) our Company has appointed two authorized representatives pursuant to Rule 3.05 of the Hong Kong Listing Rules, namely Mr. Rao Ye, an executive Director and a joint company secretary, who is an ordinary resident in the PRC, and Ms. Wong Sau Ping, a joint company secretary and an ordinary resident in Hong Kong, who will act as the principal channel of communication with the Hong Kong Stock Exchange;
- (b) each of our authorized representatives has all means of contacting all Directors (including the independent non-executive Directors) promptly at all times as and when the Hong Kong Stock Exchange wishes to contact the Directors on any matters;
- (c) our Board will consist of, upon the Listing, four executive Directors, two non-executive Directors and three independent non-executive Directors. One independent non-executive Director is ordinarily resident in Hong Kong and the remaining eight Directors are ordinarily resident in PRC. Each of the Directors who is not ordinarily resident in Hong Kong possesses or can apply for valid travel documents to visit Hong Kong and can meet with the Hong Kong Stock Exchange within a reasonable period of time;
- (d) our Company has provided the Hong Kong Stock Exchange with the contact details of each Director, including office phone number, mobile phone number, fax number and e-mail address; and

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## WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

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- (e) we have, in compliance with Rules 3A.19 and 19A.05(2) of the Hong Kong Listing Rules, appointed Alliance Capital Partners Limited to act as our compliance adviser for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date. Our compliance adviser will, among other things, in addition to our authorized representatives, act as an additional channel of communication with the Hong Kong Stock Exchange. The Company will ensure that our compliance adviser has reasonable access to our authorized representatives, Directors and other officers and will procure that such persons provide promptly to our compliance adviser such information and assistance as our compliance adviser may need or may reasonably request in connection with the performance of our compliance adviser's duties as set out in Chapter 3A and Rule 19A.06 of the Hong Kong Listing Rules.

We will ensure that there are adequate and efficient means of communication among us, our authorized representatives, Directors, other officers and the compliance adviser and will keep the compliance adviser fully informed of all communications and dealings between us and the Hong Kong Stock Exchange.

### COMPANY SECRETARY

According to Rule 8.17 of the Hong Kong Listing Rules, a listed issuer must appoint a company secretary who satisfies the requirements under Rule 3.28 of the Hong Kong Listing Rules.

Rule 3.28 of the Hong Kong Listing Rules requires that the company secretary must be an individual who, by virtue of his academic or professional qualifications or relevant experience, is, in the opinion of the Hong Kong Stock Exchange, capable of discharging the functions of company secretary. Note 2 to Rule 3.28 of the Hong Kong Listing Rules further states that in assessing "relevant experience", the Hong Kong Stock Exchange will consider the individual's:

- (a) length of employment with the issuer and other issuers and the roles he played;
- (b) familiarity with the Hong Kong Listing Rules and other relevant law and regulations including the Securities and Futures Ordinance, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, and the Takeovers Codes;
- (c) relevant training taken and/or to be taken in addition to the minimum requirement under Rule 3.29 of the Hong Kong Listing Rules, which requires an issuer's company secretary to take not less than 15 hours of relevant professional training in each financial year; and
- (d) professional qualifications in other jurisdictions.

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## WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES

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The Company has appointed Mr. Rao Ye (饒燁) (“**Mr. Rao**”) as a joint company secretary of the Company and its initial term shall end on the date falling three years from the Listing Date. Mr. Rao has been actively involved in and has worked as one of the officers-in-charge for the preparation of the Listing, during the process of which he has gained familiarity with the Hong Kong Listing Rules, the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and other applicable Hong Kong laws and regulations. He has also participated in the preparation of the corporate governance manuals of our Company and was responsible for the various Board meetings and shareholders’ meetings in preparation for the Listing. However, Mr. Rao may not fully possess the relevant experience as required by Rule 3.28 of the Hong Kong Listing Rules and given the important role of a company secretary in our corporate governance, our Company has made the following arrangements to enable Mr. Rao to discharge the functions as a joint company secretary of our Company:

- (a) Mr. Rao will endeavor to attend further relevant training courses required by the Hong Kong Listing Rules and the relevant Hong Kong laws and regulations, including briefing on the latest amendments to the applicable Hong Kong laws and regulations and the Hong Kong Listing Rules organized by our Company’s Hong Kong legal advisers on invitation basis and seminars organized by the Hong Kong Stock Exchange from time to time;
- (b) Mr. Rao will take no less than 15 hours of relevant professional training in each financial year in accordance with the requirements of the Hong Kong Listing Rules;
- (c) in addition, Mr. Rao will be assisted by (i) the compliance adviser of our Company for the period commencing on the Listing Date and ending on the date on which our Company complies with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, particularly in relation to Hong Kong corporate governance practices and compliance issues; and (ii) the Hong Kong legal advisers of our Company, on matters concerning our Company’s on-going compliance with the Hong Kong Listing Rules and the applicable laws and regulations;
- (d) we have engaged the services of Ms. Wong Sau Ping (黃秀萍) (“**Ms. Wong**”), as the joint company secretary, to assist Mr. Rao in the discharge of his duties as the joint company secretary for an initial period of three years from the Listing Date. Ms. Wong is a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom and therefore, possesses the professional qualifications as required under Rule 3.28 of the Hong Kong Listing Rules to serve as a company secretary. As part of the proposed arrangement, Ms. Wong will familiarize herself with the affairs of our Company and will communicate regularly with Mr. Rao on matters relating to corporate governance, the Hong Kong Listing Rules as well as the applicable laws and regulations and other affairs of our Company; and

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## **WAIVERS FROM STRICT COMPLIANCE WITH THE HONG KONG LISTING RULES**

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- (e) Mr. Rao, with the assistance of the compliance adviser of our Company, our Company's Hong Kong legal advisers and Ms. Wong, will facilitate induction and professional development of our Directors.

Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver from strict compliance with the requirements of Rules 3.28 and 8.17 of the Hong Kong Listing Rules for a period of three years from the Listing Date. Before the expiry of the initial three-year period, the Hong Kong Stock Exchange will re-evaluate the qualification and experience of Mr. Rao to determine whether the requirements as stipulated in Rules 3.28 and 8.17 of the Hong Kong Listing Rules can be satisfied. In the event that Mr. Rao has obtained relevant experience under Rule 3.28 of the Hong Kong Listing Rules at the end of the said period, the above assistive company secretaries arrangement should no longer be required by our Company.

### **CONTINUING CONNECTED TRANSACTIONS**

We have entered into and are expected to continue after the Listing, certain continuing connected transactions, which will constitute non-exempt continuing connected transactions under the Hong Kong Listing Rules upon the Listing. Our Company has applied to the Hong Kong Stock Exchange for, and the Hong Kong Stock Exchange has granted us, a waiver under Rule 14A.105 of the Hong Kong Listing Rules from strict compliance with the announcement, and/or independent shareholders' approval requirements in respect of the non-exempt continuing connected transactions. For further details of the non-exempt continuing connected transactions, please refer to the section headed "Connected Transactions".

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## **INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING**

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### **DIRECTORS' RESPONSIBILITY FOR THE CONTENTS OF THIS PROSPECTUS**

This prospectus, for which our Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance, the Securities and Futures (Stock Market Listing) Rules and the Hong Kong Listing Rules for the purpose of giving information to the public with regard to us. Our Directors, having made all reasonable enquiries confirm that, to the best of their knowledge and belief, the information contained in this prospectus 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 prospectus or any statement herein misleading.

### **APPROVAL OF THE CSRC**

Our Company obtained approval letters from the CSRC dated March 27, 2019 and August 15, 2019 respectively for the submission of the application to list our H Shares on the Hong Kong Stock Exchange and for the Global Offering. In granting such approval, the CSRC shall not accept any responsibility for our financial soundness, nor for the accuracy of any of the statements made or opinions expressed in this prospectus or the Application Forms.

### **UNDERWRITING AND INFORMATION ON THE GLOBAL OFFERING**

This prospectus is published solely in connection with the Hong Kong Public Offering. For applications under the Hong Kong Public Offering, this prospectus and the Application Forms contain the terms and conditions of the Hong Kong Public Offering. The Global Offering comprises the Hong Kong Public Offering of 13,390,000 H Shares initially offered and the International Offering of 120,492,000 H Shares initially offered (subject, in each case, to reallocation on the basis under the section headed "Structure of the Global Offering").

The listing of our H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Pursuant to the Hong Kong Underwriting Agreement, the Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter on a conditional basis, with one of the conditions being that the Offer Price is fixed on the Price Determination Date. The International Underwriting Agreement is expected to be entered into on or about Thursday, October 24, 2019, subject to determination of the Offer Price. Further details of the Underwriter(s) and the underwriting arrangements are set out in the section headed "Underwriting".

The H Shares are offered solely on the basis of the information contained and representations made in this prospectus and on the Application Forms and on the terms and subject to the conditions set out herein and therein. No person is authorized to give any information in connection with the Global Offering or to make any representation not contained in this prospectus, and any information or representation not contained herein must not be relied upon as having been authorized by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of their respective directors, agents, employees or advisers or any other party involved in the Global Offering.

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## **INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING**

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Neither the delivery of this prospectus nor any subscription or acquisition made under it shall, under any circumstances, create any implication that there has been no change in our affairs since the date of this prospectus or that the information in this prospectus is correct as of any subsequent time.

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”, and the procedures for applying for the H Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and in the relevant Application Forms.

### **DETERMINATION OF THE OFFER PRICE**

The H Shares are being offered at the Offer Price which will be determined by the Sole Global Coordinator (on behalf of the Underwriter(s)) and us on or around Thursday, October 24, 2019 or such later date as may be agreed upon between the Sole Global Coordinator (on behalf of the Underwriter(s)) and us, and in any event no later than Wednesday, October 30, 2019. If the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company are unable to reach an agreement on the Offer Price by such date, the Global Offering will not proceed.

### **RESTRICTIONS ON OFFER AND SALE OF THE H SHARES**

No action has been taken to permit a public offering of the H Shares in any jurisdiction other than Hong Kong, or the distribution of this prospectus in any jurisdiction other than Hong Kong. Accordingly, this prospectus may not be used for the purpose of, and does not constitute, an offer or invitation for subscription in any jurisdiction or in any circumstances in which such an offer or invitation for subscription is not authorized or to any person to whom it is unlawful to make such an offer or invitation for subscription. The distribution of this prospectus and the offering and sale of the H Shares in other jurisdictions are subject to restrictions and may not be made except as permitted under the applicable securities laws of such jurisdictions pursuant to registration with or authorization by the relevant securities regulatory authorities or an exemption therefrom. Each person acquiring the H Shares under the Hong Kong Public Offering will be required to confirm, or be deemed by his/her acquisition of the H Shares to confirm, that he/she is aware of the restrictions on offer and sale of the H Shares in this prospectus. In particular, the H Shares have not been publicly offered, directly or indirectly, in the PRC or the United States.

### **APPLICATION FOR LISTING ON THE HONG KONG STOCK EXCHANGE**

We have applied to the Listing Committee of the Hong Kong Stock Exchange for the granting of listing of, and permission to deal in, the H Shares which may be issued pursuant to the Global Offering and upon the exercise of the Over-allotment Option. Our Domestic Shares may be converted to H Shares after obtaining the approval of the CSRC or the authorized approval authorities of the State Council, details of which are set out in the section headed “Share Capital – Conversion of Domestic Shares into H Shares”.

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## **INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING**

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Dealings in the H Shares on the Hong Kong Stock Exchange are expected to commence at 9:00 a.m. on Thursday, October 31, 2019. Except for our pending application to the Hong Kong Stock Exchange for the listing of, and permission to deal in, the H Shares, no part of our share or loan capital is listed on or dealt in on any other stock exchange and no such listing or permission to list is being or proposed to be sought in the near future.

The H Shares will be traded in board lot of 1,000 H Shares. The stock code of the H Shares is 1847.

Under Section 44B(1) of the Companies (Winding Up and Miscellaneous Provisions) Ordinance, any allotment made in respect of any application will be invalid if the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange is rejected before the expiration of three weeks from the date of the closing of the subscription application, or such longer period (not exceeding six weeks) as may, within the said three weeks, be notified to our Company by the Hong Kong Stock Exchange or its representative.

### **COMPLIANCE WITH THE HONG KONG LISTING RULES**

We will comply with applicable laws and regulations in Hong Kong (including the Hong Kong Listing Rules) and any other undertakings which have been given in favor of the Hong Kong Stock Exchange from time to time. If the Listing Committee finds that there has been a breach by us of the Hong Kong Listing Rules or such other undertakings which may have been given in favor of the Hong Kong Stock Exchange from time to time, the Listing Committee may instigate cancelation or disciplinary proceedings in accordance with the Hong Kong Listing Rules.

### **REGISTRATION OF SUBSCRIPTION, PURCHASE AND TRANSFER OF H SHARES**

We have instructed the H Share Registrar, and the H Share Registrar has agreed, not to register the subscription, purchase or transfer of any H Shares in the name of any particular holder unless the holder delivers a signed form to the H Share Registrar in respect of those H Shares bearing statements to the effect that the holder:

- (a) agrees with us and each of the Shareholders, and we agree with each Shareholder, to observe and comply with the PRC Company Law, the Special Regulations and the Articles of Association;
- (b) agrees with us, each of our Shareholders, Directors, Supervisors, managers and officers, and we, acting for ourselves and for each of our Directors, Supervisors, managers and officers agree with each Shareholder, to refer all differences and claims arising from our Articles of Association or any rights or obligations conferred or imposed by the PRC Company Law or other relevant laws and administrative regulations concerning our affairs to arbitration in accordance with our Articles of Association, and any reference to arbitration shall be deemed to authorize the arbitration tribunal to conduct hearings in open session and to publish its award, which shall be final and conclusive;



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## **INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING**

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- (c) agrees with us and each of our Shareholders that our H Shares are freely transferable by the holders of our H Shares; and
- (d) authorizes us to enter into a contract on his or her behalf with each of our Directors, Supervisors, managers and officers whereby such Directors, Supervisors, managers and officers undertake to observe and comply with their obligations to our Shareholders as stipulated in our Articles of Association.

### **PROFESSIONAL TAX ADVICE RECOMMENDED**

Potential investors in the Global Offering are recommended to consult their professional advisers as to the taxation implications of subscribing for, purchasing, holding or disposal of, and/or dealing in the H Shares or exercising rights attached to them. It is emphasized that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), any of their respective directors, officers, employees, agents or representatives or any other person or party involved in the Global Offering accepts responsibility for any tax effects on, or liabilities of, any person resulting from the subscription, purchase, holding, disposition of, or dealing in, the H Shares or exercising any rights attached to them.

### **OVER-ALLOTMENT AND STABILIZATION**

Details of the arrangement relating to the Over-allotment Option and stabilization are set out under the section headed “Structure of the Global Offering”.

### **PROCEDURES FOR APPLICATION FOR THE H SHARES**

The procedures for applying for the H Shares are set out in the section headed “How to Apply for the Hong Kong Offer Shares” and on the Application Forms.

### **STRUCTURE OF THE GLOBAL OFFERING**

Details of the structure of the Global Offering, including its conditions, are set out in the section headed “Structure of the Global Offering”.

### **H SHARE REGISTER AND STAMP DUTY**

All the H Shares issued pursuant to applications made in the Hong Kong Public Offering and the International Offering will be registered on the H Share register of members of our Company maintained in Hong Kong. We will maintain the principal register of members at our head office in the PRC.

Dealings in the H Shares registered in the H Share register of members of our Company in Hong Kong will be subject to Hong Kong stamp duty.

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## **INFORMATION ABOUT THIS PROSPECTUS AND GLOBAL OFFERING**

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Unless otherwise determined by our Company, dividends payable in Hong Kong dollars in respect of our H Shares will be paid to the Shareholders listed on the H Share register of members of our Company in Hong Kong, by ordinary post, at the Shareholders' risk, to the registered address of each Shareholder of our Company.

### **SHARES WILL BE ELIGIBLE FOR ADMISSION INTO CCASS**

Subject to the granting of the listing of, and permission to deal in, the H Shares on the Hong Kong Stock Exchange and compliance with the stock admission requirements of HKSCC, our H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in our H Shares on the Hong Kong Stock Exchange or on any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day. All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time. Investors should seek the advice of their stockbroker or other professional advisor for details of the settlement arrangements as such arrangements may affect their rights and interests. All necessary arrangements have been made by us to enable the H Shares to be admitted into CCASS.

### **EXCHANGE RATE CONVERSION**

Solely for your convenience, this prospectus contains translations among certain amounts denominated in Renminbi and Hong Kong dollars. No representation is made and none should be construed as being made that the amounts denominated in one currency could actually be converted into the amounts denominated in another currency at the rates indicated or at all on such date or any other date. Unless indicated otherwise, the translations between Renminbi and Hong Kong dollars were made at the rate of RMB0.90187 to HK\$1.00, the median rate published by China Foreign Exchange Trading System as per authorization of PBoC for the interbank foreign exchange market prevailing on Friday, October 11, 2019. Further information on exchange rates is set forth in the section headed "Appendix III – Taxation and Foreign Exchange".

### **LANGUAGE**

If there is any inconsistency between this prospectus and the Chinese translation of this prospectus, the English version of this prospectus shall prevail. However, the translated English names of the PRC nationals, entities, departments, institutions, facilities, certificates, titles, laws, regulations and the like included in this prospectus and for which no official English translation exists are unofficial translations for your reference only. If there is any inconsistency, the Chinese name prevails.

### **ROUNDING**

Certain amounts and percentages figures included in this prospectus have been subject to rounding adjustments, or have been rounded to one or two decimal places. Any discrepancies between totals and sums of amounts listed in any table are due to rounding.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**DIRECTORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Executive Directors</i>		
Ma Minchao (馬敏超)	Room 101, Building 47 Jianyi Jiayuan Xiaoqu Jiangong New City, Kunming Yunnan, PRC	Chinese
Rao Ye (饒燁)	Room 2405, Building 3 Junfacheng Baiheyuan Panlong District, Kunming Yunnan, PRC	Chinese
Lu Jianfeng (呂劍鋒)	Room 2205, Building 9 Qicaijunyuan Baita Road, Kunming Yunnan, PRC	Chinese
Hu Zhurong (胡珠榮)	Room 1403, Building 7 Banzhu Cuiyuan Hongshan East Road Wuhua District, Kunming Yunnan, PRC	Chinese
<i>Non-executive Directors</i>		
Liu Guangcan (劉光燦)	No. 1, Building 16 Yunling Tianjiao 10 Wutai Road Wuhua District, Kunming Yunnan, PRC	Chinese
He Jianqiang (何建強)	No. 4, Building 3, Zone C Guolin Hupan Economic and Technological Development Zone, Kunming Yunnan, PRC	Chinese

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

---

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
<i>Independent non-executive Directors</i>		
Wong Kai Yan Thomas (王佳欣)	Flat F, 5/F, Block 10 South Horizons Aberdeen, Hong Kong	Chinese
Yu Dingming (于定明)	Room 501, Unit 3, Building 9 Yunnan Colleges and Universities Teacher Residential Quarter 345 Longquan Road Wuhua District, Kunming Yunnan, PRC	Chinese
Li Hongkun (李紅琨)	Room 901, Unit 3, Building 18 Kangyuan Residential Quarter 237 Longquan Road Wuhua District, Kunming Yunnan, PRC	Chinese

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**SUPERVISORS**

<b>Name</b>	<b>Residential Address</b>	<b>Nationality</b>
Wu Xinhe (吳新河)	Room 504, Unit 2 Hexie Jiayuan (Phase I) 308 Baita Road, Kunming Yunnan, PRC	Chinese
Li Yan (李燕)	Room 1301, Building B Jindi Shanshui 398 Renmin East Road Kunming Yunnan, PRC	Chinese
Chang Hongbing (常紅兵)	Room 201, Unit 2, Building 11 Baida Chengshi Lixiang Xiaoqu (Phase II) Wujing Road Guandu District, Kunming Yunnan, PRC	Chinese
Li Na (李娜)	Room 502, Unit 2, Building 12 Nanjiang Garden Xiaoqu Kejin Road Wuhua District, Kunming Yunnan, PRC	Chinese
Guo Huan (郭歡)	Room 601, Unit 1, Building 4 East Zone, Yunxi Garden (Phase II) Guandu District, Kunming Yunnan, PRC	Chinese

For further information regarding our Directors and Supervisors, please refer to the section headed “Directors, Supervisors and Senior Management”.

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**PARTIES INVOLVED IN THE GLOBAL OFFERING****Sole Sponsor**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Sole Global Coordinator,  
Sole Bookrunner and  
Sole Lead Manager**

**China International Capital Corporation  
Hong Kong Securities Limited**  
29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

**Legal Advisers to the Company**

*As to Hong Kong law:*

**Baker & McKenzie**  
14th Floor, One Taikoo Place  
979 King's Road  
Quarry Bay  
Hong Kong

*As to PRC law:*

**Commerce & Finance Law Offices**  
6/F, NCI Tower  
A12 Jianguomenwai Avenue  
Chaoyang District  
Beijing, PRC

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**DIRECTORS, SUPERVISORS AND PARTIES INVOLVED IN THE GLOBAL OFFERING**

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**Legal Advisers to the Sole Sponsor and  
the Underwriter(s)**

*As to Hong Kong law:*

**Jones Day**  
31st Floor, Edinburgh Tower  
The Landmark  
15 Queen's Road Central  
Central  
Hong Kong

*As to PRC law:*

**Dentons**  
15th/16th Floor, Shanghai Tower  
501 Yincheng Middle Road  
Pudong New Area  
Shanghai, PRC

**Auditors and Reporting Accountant**

**PricewaterhouseCoopers**  
*Certified Public Accountants*  
22/F, Prince's Building  
Central  
Hong Kong

**Industry Consultant**

**China Insights Industry Consultancy  
Limited**  
10/F, Tomorrow Square  
399 West Nanjing Road  
Huangpu District  
Shanghai, PRC

**Compliance Adviser**

**Alliance Capital Partners Limited**  
Room 1502-03A, 15/F  
Wing On House  
71 Des Voeux Road Central  
Central  
Hong Kong

**Receiving Bank**

**Bank of Communications Co., Ltd.  
Hong Kong Branch**  
Unit B B/F & G/F,  
Unit C G/F, 1-3/F,  
16/F Room 01 & 18/F,  
Wheelock House  
20 Pedder Street  
Central  
Hong Kong

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## CORPORATE INFORMATION

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<b>Registered Office</b>	YCIH Zhaotong Development Building Zhaotong Avenue Zhaoyang District, Zhaotong Yunnan, PRC
<b>Headquarters and Principal Place of Business in the PRC</b>	5/F and 9/F, YCIH Development Building 188 Linxi Road Information Industrial Base Economic and Technological Development Zone, Kunming Yunnan, PRC
<b>Principal Place of Business in Hong Kong</b>	31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong
<b>Company's Website</b>	<b><a href="https://www.ynhnt.com">https://www.ynhnt.com</a></b> <i>(This website and the information contained on this website do not form part of this prospectus)</i>
<b>Joint Company Secretaries</b>	<p>Mr. Rao Ye Room 2405, Building 3 Junfacheng Baiheyuan Panlong District, Kunming Yunnan, PRC</p> <p>Ms. Wong Sau Ping <i>(a member of The Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom)</i> 31/F., Tower Two, Times Square 1 Matheson Street Causeway Bay Hong Kong</p>



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## CORPORATE INFORMATION

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### Authorized Representatives

Mr. Rao Ye  
Room 2405, Building 3  
Junfacheng Baiheyuan  
Panlong District, Kunming  
Yunnan, PRC

Ms. Wong Sau Ping  
31/F., Tower Two, Times Square  
1 Matheson Street  
Causeway Bay  
Hong Kong

### Nomination Committee

Mr. Yu Dingming (*Chairman*)  
Mr. Ma Minchao  
Mr. Li Hongkun

### Audit Committee

Mr. Li Hongkun (*Chairman*)  
Mr. Liu Guangcan  
Mr. Wong Kai Yan Thomas

### Remuneration and Evaluation Committee

Mr. Yu Dingming (*Chairman*)  
Mr. Rao Ye  
Mr. Li Hongkun

### Strategy Committee

Mr. Ma Minchao (*Chairman*)  
Mr. Rao Ye  
Mr. Lu Jianfeng  
Mr. Liu Guangcan  
Mr. Li Hongkun

### Risk Management and Control Committee

Mr. Liu Guangcan (*Chairman*)  
Mr. Ma Minchao  
Ms. Hu Zhurong  
Mr. He Jianqiang  
Mr. Wong Kai Yan Thomas  
Mr. Yu Dingming  
Mr. Li Hongkun

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## CORPORATE INFORMATION

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### H Share Registrar

#### **Computershare Hong Kong Investor Services Limited**

Shops 1712-1716  
17th Floor, Hopewell Centre  
183 Queen's Road East  
Wan Chai  
Hong Kong

### Principal Bankers

#### **Bank of China, Kunming, Panlong Branch**

Building A, Lingyu Shidai Building  
1088 Beijing Road  
Panlong District, Kunming  
Yunnan, PRC

#### **Huaxia Bank, Kunming, Dongfeng Branch**

West Side, Fuchun Building  
268 Dongfeng Road  
Wuhua District, Kunming  
Yunnan, PRC

#### **Bank of China, Kunming, Economic and Technological Development Zone Branch**

No. 0107, 0108, 1/F  
YCIH Development Building  
Information Industrial Base  
Economic and Technological Development  
Zone, Kunming  
Yunnan, PRC

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## INDUSTRY OVERVIEW

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*The information and statistics about China's ready-mixed concrete industry in this section and other sections of this prospectus are extracted from the CIC Report prepared by CIC, an independent third-party industry consultant commissioned by us. We believe that the sources of such information are appropriate, and reasonable care has been taken in extracting and reproducing the information. We have no reason to believe that such information is false or misleading or that any fact has been omitted that would render such information false or misleading. The Directors confirm, after taking reasonable care, that there has been no adverse change in the market information since the date of the CIC Report which may qualify, contradict, or have an impact on the information set out in this section. The information and statistics have not been independently verified by the Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s) and/or any of our or their respective directors, officers, agents, employees, advisers or representatives or any other persons involved in the Global Offering (excluding CIC), and no representation is given as to their accuracy or completeness. As such, no undue reliance shall be placed on the information and statistics.*

*Unless otherwise indicated, the market and industry information and data in this section are extracted from the CIC Report. The information in this section may differ from the information from other sources.*

This section contains information extracted from the CIC Report prepared by CIC independently, which is commissioned by us, for this prospectus. We expect to pay CIC a total of RMB700,000 for the CIC Report and our use thereof. CIC is a consulting company established in Hong Kong which provides industry consulting services, commercial due diligence and strategic consulting services for a variety of industries.

CIC carried out both primary and secondary research in preparing the report. Primary research mainly involves interviews with industry experts and leading industry players. Secondary research mainly involves analysis of data from various public data sources such as the National Bureau of Statistics of the PRC, MOFCOM, and the International Monetary Fund. CIC used data and information collected from a variety of sources and comprehensively analyzed and cross-checked such data and information to arrive at the qualitative and quantitative analysis and projections set out in this prospectus.

CIC prepared its report on the following bases and assumptions for historical data and projections: (i) during the forecast period, the political and social environment remains stable in China, the economy develops steadily, and the urbanization process continues to advance; (ii) the major industry drivers are expected to propel the development of the ready-mixed concrete industry in China, and (iii) there will be no extreme force majeure event or unforeseen industry regulation that significantly or fundamentally affect the market.

### OVERVIEW OF CHINA'S READY-MIXED CONCRETE INDUSTRY

Concrete can be classified as ready-mixed concrete and field concrete according to the mixing location, production and quality management. Ready-mixed concrete refers to the concrete mixture of bulk cement, sand-gravel aggregates, water, admixtures, and additives in specific proportion, which is measured and mixed at batching plants for sale and transported by transportation vehicles to the site of use within the specified time. Ready-mixed concrete requires special production machinery and equipment, and is designed with a specific mix proportion. The measurement of various materials for production must be highly accurate, and the production data is traceable. Field concrete refers to the concrete mixture made by mixing all the concrete production materials at the construction site, for which bagged cement is generally used, and the accuracy of the measurement of various raw materials is low. Compared with field concrete, ready-mixed concrete has higher quality and work efficiency and is more stable and controllable but with less environmental pollution, which is in line with the national policy of green development.

The production process of ready-mixed concrete has four major steps, namely mix design, measurement and mixing, transportation, and delivery, which involves a number of key production crafts and technologies, such as mix proportion design, intelligent production, and

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## INDUSTRY OVERVIEW

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green production. The mix proportion design directly determines the quality and performance of the concrete, and therefore must be designed by professional technicians with extensive experience by taking account of various factors comprehensively, such as strength, durability, construction feasibility and economical requirements as well as the requirements for specific projects. Through intelligent and information technologies, various data is collected in the production process and then used by the computer to automatically carry out mix proportion calculation, precise measurement, mixing arrangement, and production monitoring so to optimize production efficiency and ensure a stable product quality and optimal performance. Green production technologies are used throughout the entire production process of ready-mixed concrete, where construction and industrial wastes are used as raw materials to achieve resource recycling. Emission of noise and waste water, waste materials, and dust are strictly controlled during the production process to neutralize the environmental impact. The ERP system, Internet and industrial control technologies are used to achieve precise control over the production processes and use of resources. In addition, concrete is completely sealed during the production and transportation processes to reduce pollution.

### Industry Chain of Ready-Mixed Concrete Industry in China

The industry chain of China's ready-mixed concrete industry comprises three main components:

- Raw materials and production equipment suppliers: provider of raw materials required for the production of ready-mixed concrete. In producing ready-mixed concrete, the cost of raw materials accounts for about 75% of the total production cost.
- Ready-mixed concrete producers: transport ready-mixed concrete produced at the batching plant to the site of use within the designated time. The economical transportation radius is generally within 30 km.
- Constructors: usually include infrastructure constructors and building constructors, which apply ready-mixed concrete on buildings, plants, highways, railways, rail transit, bridges, hydraulic infrastructures, airports and port terminals. These projects require concrete with high strength and durability, environmentally-friendly nature and considerable structural lifespan which impose high requirements on the supply capability, technical strength and production management capability of ready-mixed concrete producers.

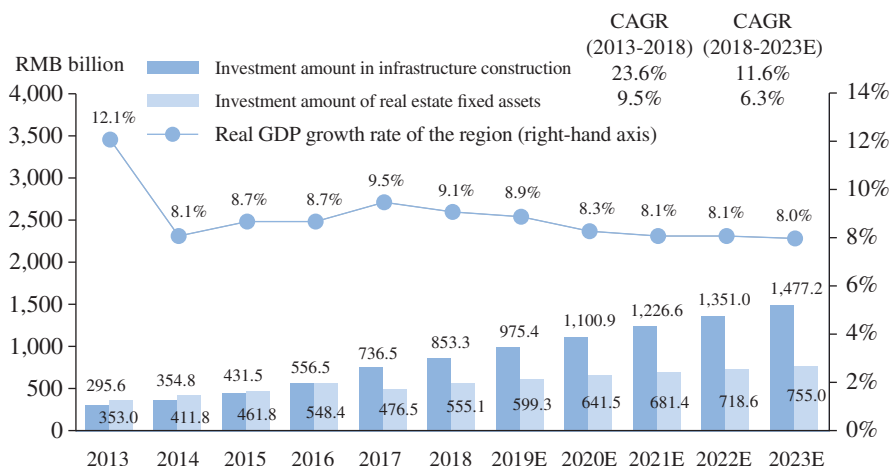
### OVERVIEW OF READY-MIXED CONCRETE MARKETS IN CHINA AND YUNNAN PROVINCE

Along with the economy growth, China continues to build a modernized infrastructure network and optimize the housing supply structure, and as a result the investments in infrastructure construction and real estate fixed assets in China will continue to grow from 2018 to 2023, with an expected CAGR of 6.2% and 1.8%, respectively. Stable growth in investments in infrastructure construction and real estate fixed assets propels the steady development of engineering and construction industry in China and ensures a stable growth of demand for ready-mixed concrete.

The economy in Yunnan Province has continuously presented its development potentials. In 2018, the real GDP growth rate of Yunnan Province was 9.1%, ranking the third among 34 provincial-level divisions in China. Driven by the rapid economic development, the investment amounts of infrastructure construction and real estate fixed assets in Yunnan Province grew rapidly from 2013 to 2018, with a CAGR of 23.6% and 9.5%, respectively. With the continuous release of economic development potentials as well as the continuous construction of "Five Networks", and accelerated urbanization in Yunnan Province, it is expected that the investment amounts of infrastructure construction and real estate fixed assets in Yunnan Province will maintain a strong growth from 2018 to 2023, with an expected CAGR of 11.6% and 6.3%, respectively, which in turn will drive the rapid increase in demand for ready-mixed concrete in Yunnan Province. The chart below shows Yunnan Province's real GDP growth rate, investment amount of infrastructure construction and investment amount of real estate fixed assets during the periods indicated:

## INDUSTRY OVERVIEW

### Yunnan Province's real GDP growth rate, investment amount of infrastructure construction and investment amount in real estate fixed assets, 2013-2023E



Source: Statistics Bureau of Yunnan Province and CIC

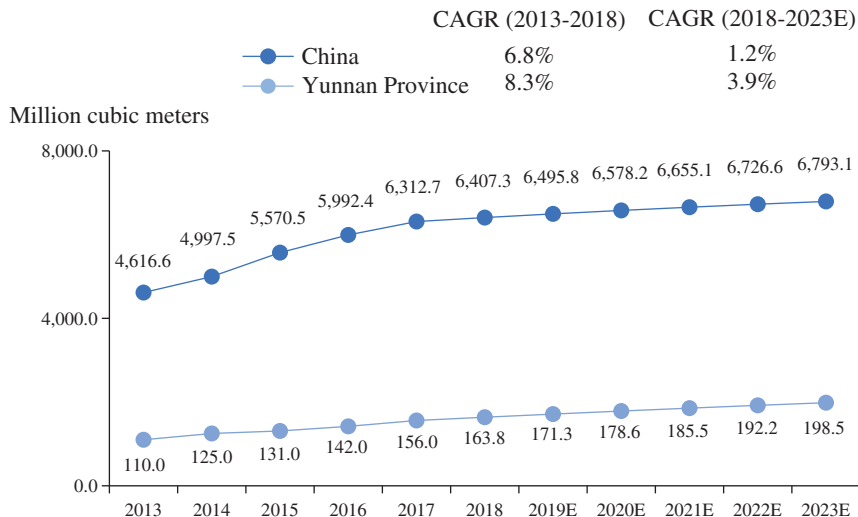
Ready-mixed concrete markets in China vary significantly from region to region. In Eastern China where the economy and real estate industry are well developed and the infrastructure is relatively complete, the ready-mixed concrete market is currently at a relatively mature stage with low growth rate. However, in Western China (including the Southwest China) driven by the rapid growth of the infrastructure construction industry and real estate industry, ready-mixed concrete industry are in its rapid growth period in terms of the production volume and penetration rate, though started late. There are many mountains and hills in the Southwest China region, particularly in Yunnan Province, which provide a rich resource for sand-gravel aggregates mines and in turn ensure the supply of raw materials for ready-mixed concrete. However, due to the complex landscape, it is very difficult to ensure supply of transportation services, which imposes high requirements on the performance of the concrete mixture. As such, the local ready-mixed concrete enterprises are required to have stronger capability in production technology, quality inspection and transportation.

The production volume of ready-mixed concrete in Yunnan Province increased from 43.3 million cubic meters in 2013 to 61.2 million cubic meters in 2018 with a CAGR of 7.2%, significantly higher than the national average of 2.8%. In the future, driven by the rapid development of infrastructure construction and real estate industries in Yunnan Province, as well as the implementation of various supportive policies on ready-mixed concrete by the governments at both provincial and municipal levels in Yunnan Province, it is expected to sustain a strong demand for ready-mixed concrete. By 2023, the production volume of ready-mixed concrete in Yunnan Province is expected to reach 82.1 million cubic meters, with a CAGR of 6.1% from 2018 to 2023. The production value of ready-mixed concrete industry in Yunnan Province increased from RMB11.9 billion in 2013 to RMB20.7 billion in 2018 with a CAGR of 11.7%, and will continue to grow to RMB31.1 billion in 2023, with a CAGR of 8.5%.

With the development of the ready-mixed concrete market, the production capacity of ready-mixed concrete in China and Yunnan Province increased from 4,616.6 million cubic meters and 110.0 million cubic meters in 2013, respectively, to 6,407.3 million cubic meters and 163.8 million cubic meters in 2018, respectively, with a CAGR of 6.8% and 8.3% respectively. Due to the consideration of production efficiency and environmental protection, the central and local governments have introduced policies on eliminating backward production capacity in recent years. As a result, the growth of production capacity of ready-mixed concrete in China and Yunnan Province is expected to further slow down in the next few years, reaching 6,793.1 million cubic meters and 198.5 million cubic meters in 2023, respectively. The table below shows the historical and projected production capacity of the ready-mixed concrete industry in China and Yunnan Province during the periods indicated:

## INDUSTRY OVERVIEW

### Production capacity of ready-mixed concrete in China and Yunnan Province, 2013-2023E

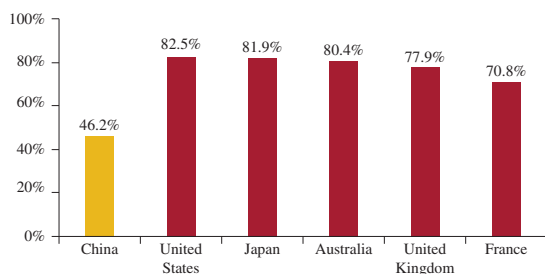


Source: MOFCOM, Concrete Branch of Construction Industry Association of China and CIC

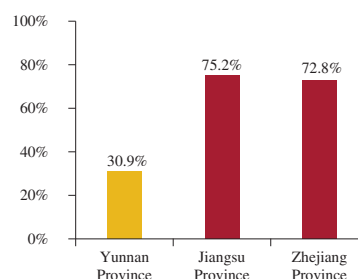
The average utilization rates of the ready-mixed concrete industry in China and Yunnan Province are both around 30%-40% between 2013 and 2018. The utilization rate of the ready-mixed concrete industry is subject to the seasonality of projects and cyclical factors, as well as limited economic transportation radius of concrete batching plants, and thus the average utilization rates are within a reasonable range. Due to the slowdown of production capacity growth, the average utilization rates of the ready-mixed concrete industry in China and Yunnan Province are expected to slightly increase between 2019 and 2023.

In 2018, the penetration rate of ready-mixed concrete reached 46.2% in China, while the penetration rates of ready-mixed concrete were 80% or more in the United States, Japan, and Australia. Compared with those developed countries, the penetration rate of ready-mixed concrete in China is at a relatively low level with plenty potentials to grow in the future. As the ready-mixed concrete industry started late in Yunnan Province, the penetration rate of ready-mixed concrete was 30.9% in Yunnan Province in 2018, much lower than the national average of 46.2%. Compared with the developed provinces in Eastern China, such as Jiangsu and Zhejiang, the gap in penetration rate is significant, indicating large potentials to grow. The charts below show the comparison of the penetration rates of ready-mixed concrete between China and developed countries in 2018, and between Yunnan Province and developed provinces in China:

**Comparison of the penetration rates of ready-mixed concrete between China and developed countries, 2018**



**Comparison of the penetration rates of ready-mixed concrete between Yunnan Province and developed provinces in Eastern China, 2018**



Note: The penetration rate of ready-mixed concrete refers to the proportion of the production volume of ready-mixed concrete in the total production volume of field concrete and ready-mixed concrete.

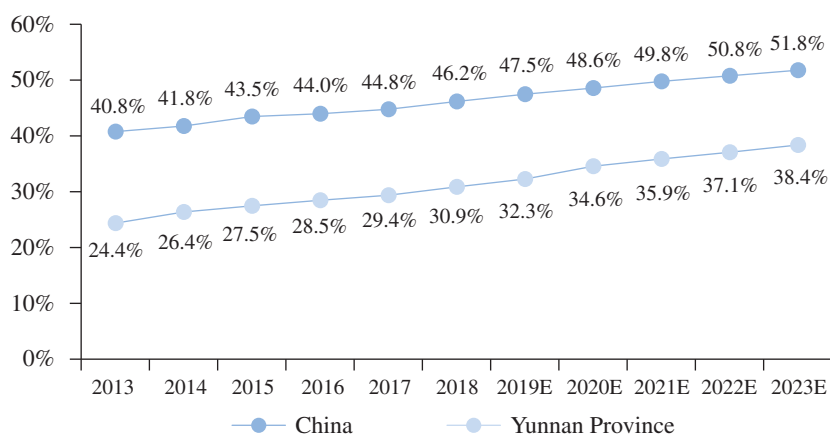
Source: European Ready-mixed Concrete Organization, MOFCOM, Concrete Branch of Construction Industry Association of China and CIC

## INDUSTRY OVERVIEW

In light of stringent control of the PRC government over the production of field concrete, the use of field concrete has reduced accordingly. The penetration rate of ready-mixed concrete in China increased from 40.8% in 2013 to 46.2% in 2018. In the next five years, with the intensified government control over field concrete, as well as the wider application of green high-performance concrete in the industry, the penetration rate of ready-mixed concrete in China is expected to maintain an upward trend and reach 51.8% in 2023.

Driven by the development of economy and urbanization as well as the government's supportive policy on promotion of ready-mixed concrete and further restrictions on the use of field concrete, the penetration rate of ready-mixed concrete in Yunnan Province has increased steadily in recent years from 24.4% in 2013 to 30.9% in 2018. In the next five years, the penetration rate of ready-mixed concrete in Yunnan Province will further increase and is expected to reach 38.4% in 2023. The table below shows the historical and projected penetration rate of ready-mixed concrete industry in China and Yunnan Province during the periods indicated:

**Penetration rate of ready-mixed concrete industry in China and Yunnan Province, 2013-2023E**



*Note:* The penetration rate of ready-mixed concrete refers to the proportion of the production volume of ready-mixed concrete in the total production volume of field concrete and ready-mixed concrete.

*Source:* MOFCOM, Concrete Branch of Construction Industry Association of China and CIC

The price of ready-mixed concrete in China has experienced a fluctuation since 2013, primarily attributable to the prices for raw materials. In view of industry-wide supply-side structural reform and tightening regulation on environmental protection, the inventory for cement supply dropped to a low level in China, which have boosted the prices of cement and ready-mixed concrete in 2018. In the future, with the furtherance of supply-side structural reform and environmental protection regulation in the industry, the average price of ready-mixed concrete in China is expected to continue to increase, reaching RMB465.3 per cubic meter by 2023.

During 2013 to 2016, the average price of ready-mixed concrete in Yunnan Province experienced a volatile fluctuation. In 2015 and the first half of 2016, the price of ready-mixed concrete in Yunnan Province declined, mainly due to the decrease in raw material prices. In 2017 and 2018, due to the limited productions of several sand-gravel aggregates plants in Yunnan Province as a result of the requirement for rectification for the concerns of environmental protection, as well as the elimination of excessive capacity of cement production, the prices of raw materials increased and caused an increase in the average price of ready-mixed concrete to RMB338.3 per cubic meter in 2018. In the next few years, with the intensification of the structural reform on the supply side and increasingly stringent environmental supervision, the average price of ready-mixed concrete in Yunnan Province is expected to maintain a momentum of growth in the next five years, reaching RMB378.3 per cubic meter by 2023.

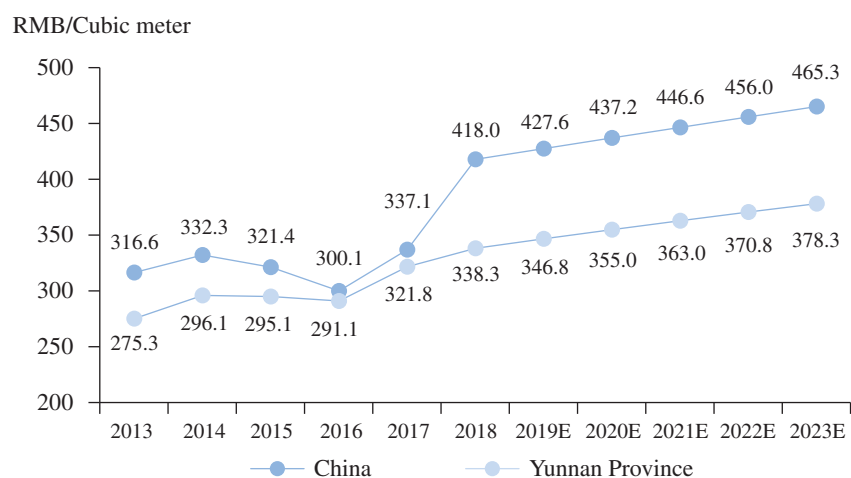
Subject to the downstream industries to which the ready-mixed concrete is applied, the preference for ranges of strength grades and performances varies. In a specific project, the

## INDUSTRY OVERVIEW

preference for ranges of strength grades and performances of ready-mixed concrete is determined according to the project demand, and the price of ready-mixed concrete is determined accordingly. Ready-mixed concrete products can be divided into different strength levels from C10 to C100 based on their strength grades. Higher grade of ready-mixed concrete presents stronger compressive strength. C10 to C25 represents ready-mixed concrete with low-to-mid strength; C30 to C55 represents ready-mixed concrete with mid-to-high strength; and C60 and above represents ready-mixed concrete with high strength. Among all strength levels, C30 has the highest proportion in the total ready-mixed concrete consumption. For the increase of every strength level (for example, from C25 to C30), the average price generally increases by RMB10 to RMB20 per cubic meter for products with levels of C30 and below, and by RMB20 to RMB50 per cubic meter for products with levels of C35 and above. For the same strength level, if to enhance the impermeability of ready-mixed concrete, or to add special expansive agent, fiber, and other materials, or to use fine aggregates as basic materials so as to achieve specific performance of impermeability, flexural strength, deformation resistance capability, or durability, the average price of ready-mixed concrete increases by approximately RMB10 to RMB50 per cubic meter for each of the above item.

The table below shows the average price of ready-mixed concrete in China and Yunnan Province during the periods indicated:

**Average price of ready-mixed concrete in China and Yunnan Province, 2013-2023E**



*Note:* The average price of ready-mixed concrete refers to the average price of ready-mixed concrete with strength of C30, which includes transportation costs and taxes.

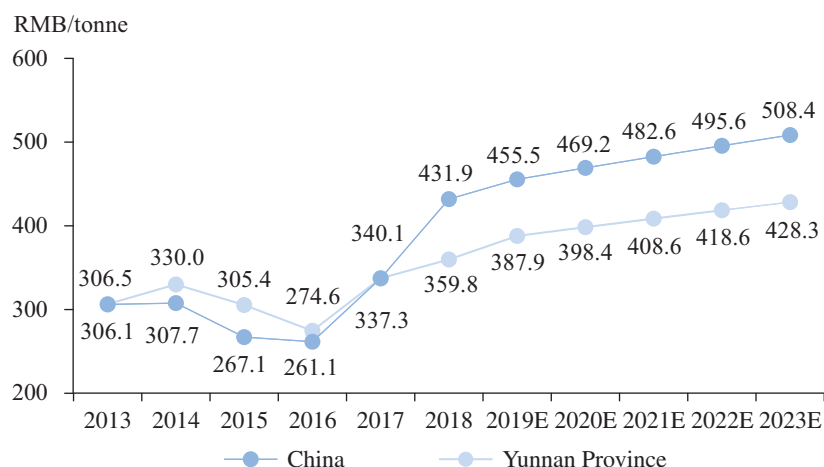
*Source:* CIC

Raw materials for production of ready-mixed concrete mainly include bulk cement, aggregates, water, admixtures and additives. Among them, the costs for bulk cement and aggregates are the principal components of the production cost of ready-mixed concrete. The average price of bulk cement and aggregates in China declined continuously in 2015 and 2016 due to excess capacity, and rebounded in 2017 driven by the policies of eliminating excessive capacity and restricting production for environmental protection purpose. In line with the price trend nationwide and due to the same reason, the average price of bulk cement in Yunnan declined in 2015 and 2016 to RMB274.6 per tonne in 2016, and then rose to RMB359.8 per tonne in 2018. The aggregates price index of Yunnan Province rose from 109.5 in 2016 to 125.7 in 2018. In the next five years, affected by the ongoing supply-side structural reform and stringent regulations on environmental protection in cement and aggregates industry, the average prices of bulk cement and aggregates in China and Yunnan Province are expected to stabilize with mild increase. By 2023, the average price of bulk cement in Yunnan province is expected to reach RMB428.3 per tonne, and the aggregates price index of Yunnan Province is expected to reach 138.5.



## INDUSTRY OVERVIEW

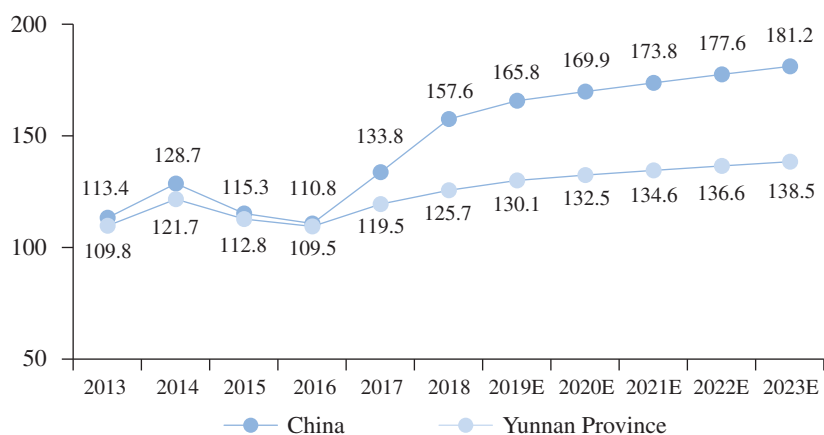
### Average price of cement in China and Yunnan Province, 2013-2023E



*Note:* The average price of cement refers to the average price of P.O 42.5 bulk cement, which includes taxes.

*Source:* CIC

### Price index of aggregates in China and Yunnan Province, 2013-2023E



*Source:* China Sand-Stone Association, CIC

### Drivers for the Development of Ready-Mixed Concrete Industry in China and Yunnan Province

- (i) **Demand from downstream industries such as infrastructure construction and real estate development.** The infrastructure and real estate construction in Yunnan Province is expected to develop at a speed significantly higher than the national average. Due to the complex geological landscape in Yunnan Province, infrastructure construction started late and far from complete, which presents large potentials for development. In recent years, there is an increasing number of major infrastructure projects planned in Yunnan Province, especially for highways and provincial and national roads. Meanwhile, with extensive urbanization in Yunnan Province, the investment in real estate fixed assets is expected to continue to grow at a growth rate higher than the national average in the next five years so as to meet the housing demand brought by the population growth.

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## INDUSTRY OVERVIEW

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- (ii) ***The government vigorously promotes ready-mixed concrete out of consideration for among other things, environmental protection and production efficiency.*** Due to advantages of ready-mixed concrete over traditional field concrete, such as environmental friendliness, stable quality, high production efficiency and strong supply capability, the government issued a series of supportive policies and regulations, such as Notice on Prohibiting Mixing Concrete On-site in Cities and Urban Areas After the Specified Deadline (《關於限期禁止在城市城區現場攪拌混凝土的通知》) in China, which promoted ready-mixed concrete to replace field concrete. The Regulations on the Promotion of Bulk Cement in Yunnan Province (《雲南省散裝水泥促進條例》) was officially implemented from January 1, 2014, which imposed the prohibition on mixing concrete on-site in construction projects in certain regions in Yunnan Province. It is expected that prefectural and municipal governments in Yunnan Province will further tighten control policies on field concrete.
- (iii) ***Urbanization and construction industrialization have promoted the production of efficient ready-mixed concrete to replace field concrete.*** As the Chinese economy enters into a new era of high-quality development, the level of urbanization and construction industrialization continues to progress. Against the backdrop of construction industry upgrade, ready-mixed concrete will further replace field concrete to meet the development needs of efficient industrialization. Since December 31, 2005, the government has prohibited the mixing of concrete on-site in urban areas in China. Since then, the ready-mixed concrete market in China has entered a period of rapid development. In 2018, the urbanization rate in Yunnan Province reached 48.0%, indicating a large potential to grow as compared to the national average of 59.6%. As the social economy develops rapidly in Southwest China, the urbanization rate of Yunnan Province will increase at a faster rate than the national average in the future, and is expected to reach 52.3% in 2023. As such the ready-mixed concrete industry in Yunnan Province is expected to grow rapidly as well in the future.
- (iv) ***Ready-mixed concrete technologies evolve constantly to meet the diversified needs of construction.*** In recent years, the technology of ready-mixed concrete in China have substantially advanced and developed in terms of raw materials, production craft as well as transportation and pumping processes. In the future, along with the further advance of the technologies, ready-mixed concrete industry is expected to be oriented towards green and intelligent production, with focus on product quality and function improvement to realize the supply of high- and medium-end high-performance ready-mixed concrete and ready-mixed concrete meeting the special requirements on structural components as well as ready-mixed concrete with advanced technology and value added and excellent workability.

### Entry Barrier of Ready-mixed Concrete Industry in China and Yunnan Province

- (i) ***Technical strength.*** With the rapid development of the highways, railways, airports, ultra high-rise buildings, concrete is required to have high performance in strength and durability, be green and environmentally friendly, and have long structural life, which in turn impose high technical requirement on ready-mixed concrete production companies. It is difficult for new entrants in the market to have such research and development and production capability within a short time. In the meanwhile, the geological conditions in certain regions, such as in Yunnan Province, which is complex and difficult for construction work, pose additional challenge for new entrants in local markets in terms of production technology and transportation management.
- (ii) ***Production organization and management and scale supply capabilities.*** Customers of large infrastructure projects generally prefer to work with ready-mixed concrete producers with a wide coverage of batching plants, efficient production management capabilities, and sufficient scale supply capability. It is difficult for new entrants of the market to establish a wide production network, sufficient capacity or ensure a stable large-scale concrete supply within a short period of time. In addition, concrete suppliers need to implement a control system for the whole process of production, supply, and provide technical guidance for casting and maintenance of concrete. Long-term investment is required to establish a mature control system, which imposes another difficulties for new entrants to develop in a short period of time.

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## INDUSTRY OVERVIEW

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- (iii) **Customer resources and project experience.** Customers of large infrastructure and housing construction projects in China are mostly large construction companies in various regions, and such customers generally choose to work with ready-mixed concrete producers with rich industry experience and long-term and good cooperation relationship with them. Such ready-mixed concrete producers generally have industry-recognized strength in terms of enterprise scale, research and development capabilities, production technology and large-scale supply capacity, and are able to work more closely and smoothly with large engineering and construction companies during the project.
- (iv) **Financing and cash flow management capabilities.** It is crucial for ready-mixed concrete producer to manage its finance and cash flow as the construction projects generally involves large amount of payment but long payment collection cycles. The companies with high market position and large operation scale are likely to obtain financing with lower financial costs due to their good credit history and reputations.

### Future Development Trend of Ready-mixed Concrete Industry in China and Yunnan Province

- (i) **Western China becomes a major source of growth.** Against the backdrop of a general economic slowdown throughout the country, the economy in Western China grows at a relatively higher rate. Infrastructure and real estate construction in Western China is still in the stage of rapid growth. In particular, both scale and number of large projects, such as highways, railways, airports, and hydraulic projects are rapidly increasing, which leads to an increasing demand for ready-mixed concrete.
- (ii) **Industry concentration intensification.** Since 2016, the government has made tremendous efforts in addressing environmental protection issues. Local governments strictly implement regulations on production process and pollution control systems, and inspect concrete production enterprises stringently. As such, a large number of small enterprises were eliminated, and the ready-mixed concrete industry showed a trend of concentration. In June 2018, the State Council issued the Opinions on Fully Strengthening Ecological Environmental Protection to Win the Combat of Pollution Prevention and Control (《關於全面加強生態環境保護堅決打好污染防治攻堅戰的意見》), which has tightened its regulation over environmental protection. In the meanwhile, the government has vigorously promoted the elimination of redundant production capacity and further intensified market concentration.
- (iii) **Green high-performance concrete is promoted.** As the building materials industry develops and upgrades, green, environmentally friendly and energy-efficient building materials have become the mainstream of the construction market, which provide a green development path for ready-mixed concrete industry. The 13th Five-Year Plan for the Development of Building Energy Efficiency and Green Buildings (《建築節能與綠色建築發展「十三五」規劃》) proposed to significantly increase the proportion of green buildings. By 2020, the proportion of green building materials applied will exceed 40%. The “Certain Opinions on Promoting the Application of High-Performance Commercial Concrete” (《關於推廣應用高性能商品混凝土的若干意見》) issued by the Ministry of Housing and Urban-Rural Development and the Ministry of Industry and Information Technology proposed that by the end of the 13th Five-Year Plan, high-performance ready-mixed concrete is to be widely applied.

### Competition Landscape of Ready-Mixed Concrete Markets in China and Yunnan Province

The ready-mixed concrete market in China is highly fragmented. In 2018, the number of ready-mixed concrete production enterprises in China was approximately 10,000, among which large-scale production enterprises with an annual production volume of one million cubic meters and more accounted for only approximately 2.0% in terms of number of enterprises. In terms of production volume, the top ten ready-mixed concrete production enterprises in China accounted for 10.94% of market share in 2018. The Company’s production volume of ready-mixed concrete was 9.137 million cubic meters in 2018, ranking sixth in China, with a market share of 0.44%. From 2016 to 2018, in terms of production volume, the market share of the Company was among top ten concrete producers in China. The table below sets forth the ranking of production volume of top ten ready-mixed concrete production companies in China in 2018:

## INDUSTRY OVERVIEW

Ranking	Company	Production volume in 2018 (million cubic meter)	Market share in 2018	Core operation region	Listing
1	Company A	95.590	4.58%	With national presence, focusing on Zhejiang, Jiangsu, Jiangxi, Hunan, Shandong, and Henan	Listed
2	Company B	44.265	2.12%	With national presence, focusing on Hubei, Hunan, Sichuan, Xinjiang, Guizhou, and Yunnan	Listed
3	Company C	27.000	1.29%	Shanghai	Listed
4	Company D	16.040	0.77%	Beijing-Tianjin-Hebei, Shaanxi, Shanxi, Inner Mongolia, Northeast China, Shandong, and Henan	Listed
5	Company E	14.231	0.68%	Guangdong, Guangxi, Fujian, Hainan, Guizhou, Hong Kong and Macao	Listed
6	The Company	9.137	0.44%	Yunnan	Not listed
7	Company F	6.250	0.30%	Beijing, Jiangsu, Guangdong, Shandong, Sichuan, Guizhou, and Hainan	Not listed
8	Company G	5.800	0.28%	Guangdong	Not listed
9	Company H	5.500	0.26%	Sichuan and Chongqing	Not listed
10	Company I	4.800	0.23%	Beijing	Listed

*Notes:*

1. The revenue of ready-mixed concrete of Company A accounts for a relatively small proportion of its total revenue (approximately 19% in 2018);
2. The parent company of Company C is a listed company, with revenue of ready-mixed concrete accounting for less than 10% of its total revenue in 2018;
3. The parent company of Company D is a listed company, with revenue of ready-mixed concrete accounting for less than 10% of its total revenue in 2018;
4. The revenue of ready-mixed concrete of Company E accounts for a relatively small proportion of its total revenue (approximately 16% in 2018);
5. Company I has a listed subsidiary company, whose main business is prefabricated concrete component, excluding ready-mixed concrete.

*Source: CIC*

Similar to the national ready-mixed concrete market, the ready-mixed concrete market in Yunnan Province is also fairly fragmented. In 2018, the number of ready-mixed concrete production enterprises in Yunnan Province was approximately 370, among which only five were large-scale production enterprises with an annual production volume of one million cubic meters and more, accounting for 1.4% in terms of the total number of enterprises. In terms of production volume, the top five ready-mixed concrete production enterprises in Yunnan Province accounted for approximately 25.2% of market share in 2018. In terms of the production volume, the Company was by far the largest company with a production volume of ready-mixed concrete of 9.137 million cubic meters in 2018 and a market share of 14.9% (which was over three times that of the second largest ready-mixed concrete production enterprise in Yunnan Province). From 2016 to 2018, the market share of the Company steadily ranked first in Yunnan Province. The table below sets forth the production volume, market

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## INDUSTRY OVERVIEW

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share, core operating region and business scope of the top five ready-mixed concrete producers in Yunnan Province in 2018:

Ranking	Company	Production volume in 2018 (million cubic meter)	Market share in 2018	Core operation region	Business scope
1	The Company	9.137	14.9%	Centered on Kunming, with more than ten branches and subsidiaries in Yunnan Province	Capable of producing concrete with grades ranging from C10 – C100; undertakes both infrastructure construction and housing construction projects, and can cover projects with high technical thresholds such as airport runways
2	Company J	2.740	4.5%	Concentrated in Kunming	Capable of producing concrete with grades ranging from C10 – C100; undertakes both infrastructure construction and housing construction projects
3	Company K	1.260	2.1%	Concentrated in Kunming	Capable of producing concrete with grades ranging from C10 – C60; focuses on housing construction projects
4	Company L	1.200	2.0%	Concentrated in Kunming	Capable of producing concrete with grades ranging from C10 – C60; focuses on housing construction projects
5	Company M	1.100	1.8%	Concentrated in Kunming	Capable of producing concrete with grades ranging from C10 – C60; focuses on housing construction projects

*Notes:*

- Company J is a subsidiary of Company B. Two batching plants of Company J have been accredited with “three-star” rating in the Green Building Materials Star Rating, three batching plants have been accredited with “two-star” rating.
- The parent company of Company K is among the top three real estate development enterprises in Yunnan Province. One batching plant of Company K has been accredited with “two-star” rating in the Green Building Materials Star Rating.
- Company L has two subsidiaries focusing on concrete business in Kunming, which are located in Yuming County and Dianchi Tourism Resort respectively. One batching plant of Company L has been accredited with “three-star” rating in the Green Building Materials Star Rating.
- Company M has one subsidiary focusing on concrete business in Jinning District in Kunming.

*Source: CIC*

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### OVERVIEW

We are a leading ready-mixed concrete producer in China with strong research and development capabilities according to the CIC Report. Our history can be traced back to YNJC Concrete, which was established in April 1996. Its principal businesses included the production and sales of commercial concrete and related products. After being merged and absorbed into YNJC as the Commercial Concrete Division through an asset restructuring, YNJC Concrete was deregistered in May 2012. In December 2016, YNJC injected the operating assets of the Commercial Concrete Division and the equity interests of four operating subsidiaries into the Company through a capital increase.

On June 19, 2007, the Company was established as a limited liability company by YNJC Concrete. On December 22, 2017, the Company was converted into a joint stock limited company and renamed “YCIH Green High-Performance Concrete Company Limited.”

### MILESTONES

The following table outlines the milestones in our history of development:

<b>Years</b>	<b>Events</b>
1996	YNJC Concrete was established, whose principal businesses included the production and sales of commercial concrete and related products.
2007	The Company was established by YNJC Concrete in Kunming, Yunnan Province as a limited liability company, i.e., YNJC Green High-Performance Concrete Co., Ltd. (雲南建工綠色高性能混凝土有限公司).
2007	YNJC Concrete undertook the project of concrete production and supply for “Kunming University Town (昆明大學城)”, and from 2007 to 2010, it produced and supplied more than 800,000 cubic meters of concrete for this project.
2008	YNJC Concrete became the exclusive producer and supplier of three million cubic meters of concrete for the Kunming Changshui International Airport (昆明長水國際機場) project.
2009	We introduced KMEIC as a shareholder, increased our registered capital to RMB66,000,000, and were renamed “YNJC-KMEIC Green High-Performance Concrete Co., Ltd. (雲南建工經開綠色高性能混凝土有限公司)”.
2011	YNJC Concrete transferred all 51% of its equity interest in the Company to YNJC.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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<u>Years</u>	<u>Events</u>
2011	Being injected with the related business and assets of YNJG Concrete, the Commercial Concrete Division successfully won the bid for the relocation project of Suijiang County, Zhaotong (昭通市綏江縣城移民工程) and implemented the model of centralized and unified production and supply of concrete.
2016	We introduced YOIC as a shareholder, increased our registered capital to RMB500,000,000, were renamed as “YCIH Green High-Performance Concrete Co., Ltd. (雲南建投綠色高性能混凝土有限公司)” and changed our place of registration to Zhaotong, Yunnan Province.
2016	YNJG injected the operating assets of the Commercial Concrete Division and the equity interests of four operating subsidiaries into the Company through a capital increase.
2017	Due to YCIH’s merger of YNJG by absorption, YCIH obtained a 73.18% equity interest in our Company.
2017	We were among the first enterprises accredited with the “three-star” rating in the Green Building Materials Star Rating in Yunnan Province.
2017	We were elected 2016 Top Ten Ready-Mixed Concrete Enterprises in China.
2017	We were accredited as a High-tech Enterprise.
2017	We were converted into a joint stock limited company and were renamed “YCIH Green High-Performance Concrete Company Limited”.
2018	We were elected 2017 Top Ten Commercial Concrete Enterprises in China.
2018	Our scientific research achievements won the second prize of Yunnan Science and Technology Progress Award.

### ESTABLISHMENT OF THE COMPANY AND MAJOR CHANGES IN EQUITY INTERESTS

- (1) On June 19, 2007, YNJG Concrete established the Company (i.e. YNJG Green High-Performance Concrete Co., Ltd. (雲南建工綠色高性能混凝土有限公司)) with a registered capital of RMB10,000,000 and with the place of registration in Kunming, Yunnan Province.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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- (2) In December 2009, the Company introduced KMEIC as a shareholder, increased the registered capital to RMB66,000,000 and was renamed “YNJG-KMEIC Green High-Performance Concrete Co., Ltd. (雲南建工經開綠色高性能混凝土有限公司)”. The capital contributions subscribed for by YNJC Concrete and KMEIC accounted for 51% and 49% of the then registered capital of the Company, respectively.
- (3) As YNJC Concrete was merged by absorption into YNJC as the Commercial Concrete Division, YNJC Concrete transferred to YNJC all 51% of its equity interest in the Company in September 2011.
- (4) In December 2016, the Company carried out a capital increase and introduced YOIC (a wholly-owned subsidiary of YCIH) as a shareholder. The registered capital of the Company was proposed to be increased to RMB500,000,000 and its place of registration was changed to Zhaotong, Yunnan Province.

According to the Agreement on Capital Increase entered into by YNJC, KMEIC, and YOIC, of the RMB434,000,000 intended increase in the registered capital of the Company, YNJC subscribed for RMB332,240,000, KMEIC subscribed for RMB19,410,000 and YOIC subscribed for RMB82,350,000. As part of the capital contribution, YNJC injected the operating assets of the Commercial Concrete Division and the equity interest of four subsidiaries into the Company and paid up RMB194,940,000 through assets in kind, YOIC paid up RMB51,450,000 in cash and KMEIC did not pay up. The total paid-up capital of the shareholders amounted to RMB312,390,000. Upon completion of the above-mentioned capital contributions, YNJC, KMEIC, and YOIC held 73.18%, 10.35%, and 16.47% equity interest in the Company, respectively.

- (5) Due to YCIH’s merger of YNJC by absorption, YNJC’s 73.18% equity interest in the Company was transferred to YCIH in March 2017.
- (6) On May 26, 2017, the shareholders’ general meeting of the Company unanimously passed the capital reduction plan to reduce the registered capital of the Company from RMB500,000,000 to RMB312,390,000 in accordance with the paid-up registered capital of each shareholder. On July 26, 2017, the Company’s registered capital was reduced from RMB500,000,000 to RMB312,390,000 with the shareholders and their respective shareholding percentages unchanged.
- (7) On December 22, 2017, the Company was converted into a joint stock limited company as a whole and renamed “YCIH Green High-Performance Concrete Company Limited.”

As confirmed by our PRC Legal Advisers, the above capital changes and equity transfer of the Company have been legally performed and have been completed in compliance with relevant PRC laws and regulations; and the changes have been duly registered with relevant administration authorities for industry and commerce pursuant to applicable PRC laws and regulations.



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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### ESTABLISHMENT AND DEVELOPMENT OF OUR SUBSIDIARIES

The Company had the following six subsidiaries as of the Latest Practicable Date.

#### **Baoshan Building Material**

Baoshan Building Material is a limited liability company established on January 21, 2015 and carrying out its business in the PRC. Its principal businesses include the research and development, production, sale, transport and pumping of commercial concrete; and the research and development, production and sales of prefabricated concrete components, new wall materials, admixtures, ready-mixed mortar and other building components, and concrete admixtures. It also provides technical consultation, technology research and development, technology transfer and technology services in the field of concrete. When Baoshan Building Material was established, YNJG held 50% of its equity interest, and Baoshan Yongchang Investment Development Co., Ltd. (保山市永昌投資開發有限公司), the predecessor of Yongchang Investment, held 50% of its equity interest.

On January 22, 2017, YNJG transferred all of the equity interest it held in Baoshan Building Material to the Company as an in-kind capital contribution to the Company.

As of the Latest Practicable Date, the registered capital of Baoshan Building Material was RMB26,000,000. The Company held a 50% equity interest and Yongchang Investment held a 50% equity interest in Baoshan Building Material. The total assets of Yongchang Investment as of December 31, 2018 was approximately RMB15,794.52 million. According to the Articles of Association of Baoshan Building Material, the Company is entitled to nominate three out of the five directors of Baoshan Building Material, while Yongchang Investment is entitled to nominate the remaining two directors, and it is agreed that such directors nominated by Yongchang Investment would act in concert with the directors nominated by the Company in exercising their voting power on certain major operating and management affairs of Baoshan Building Material at its board meetings as long as those affairs do not substantially compromise the interests of Yongchang Investment. Such arrangement had been agreed upon between the Company and Yongchang Investment because of the similarity between the principal business of the Company and Baoshan Building Material, with Yongchang Investment being a policy-based investment and financing platform and principally engaged in the investment and financing business. As such, the involvement of Yongchang Investment in the management of Baoshan Building Material is limited.

#### **Qujing Building Material**

Qujing Building Material is a limited liability company established on August 19, 2014 and carrying out its business in the PRC. Its principal businesses include the research and development, production, sale, transportation and pumping of commercial concrete; the research and development, production and sales of prefabricated concrete components, wall materials, admixtures, ready-mixed mortar, building components, and concrete admixtures; and the provision of technical consultation, technology research and development, technology transfer and technology services in the field of concrete. When Qujing Building Material was established, YNJG held 50% of its equity interest, Yunnan Zhujiang held 30% of its equity interest and Qujing Zhongwei held 20% of its equity interest.

On January 19, 2017, YNJG transferred all of the equity interest it held in Qujing Building Material to the Company as an in-kind capital contribution to the Company.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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As of the Latest Practicable Date, the registered capital of Qijing Building Material was RMB40,000,000. The Company held a 50% equity interest, Yunnan Zhujiang held a 30% equity interest and Qijing Zhongwei held a 20% equity interest in Qijing Building Material. The principal businesses of Yunnan Zhujiang include the sales of agricultural seeds, fertilizer and agricultural equipment, leasing and corporate management services. The total assets of Yunnan Zhujiang as of December 31, 2018 was approximately RMB154.80 million. The principal businesses of Qijing Zhongwei include sales of cement, building materials and other commodities. The total assets of Qijing Zhongwei as of December 31, 2018 was approximately RMB169.83 million. The involvement of Yunnan Zhujiang and Qijing Zhongwei in the management of Qijing Building Material is limited.

### **Yuxi Building Material**

Yuxi Building Material is a limited liability company established on July 10, 2015 and carrying out its business in the PRC. Its principal businesses include the research and development, production, sale, transportation and pumping of commercial concrete; the research and development, production and sale of prefabricated concrete components, new wall materials, admixtures, ready-mixed mortar and other building components, and concrete admixtures; and the provision of technical consultation, technology research and development, technology transfer and technology services in the field of concrete. When Yuxi Building Material was established, YNJG held 55% of its equity interest and Yuanjiang Zhikai Materials Industry and Trade Co., Ltd. (元江志開物資工貿有限公司) held 45% of its equity interest.

On January 23, 2017, YNJG transferred all the equity interest it held in Yuxi Building Material to the Company as an in-kind capital contribution to the Company.

On August 8, 2019, Yuanjiang Zhikai Materials Industry and Trade Co., Ltd. (元江志開物資工貿有限公司), a shareholder of Yuxi Building Material, transferred 30% equity interest in Yuxi Building Material to Yuxi Yanhe Land Development Investment Co., Ltd. (玉溪研和土地開發投資有限公司) at a consideration of RMB4,331,200.

As of the Latest Practicable Date, the registered capital of Yuxi Building Material was RMB12,000,000. The Company held a 55% equity interest, Yuxi Yanhe Land Development Investment Co., Ltd. held a 30% equity interest and Yuanjiang Zhikai Materials Industry and Trade Co., Ltd. held a 15% equity interest in Yuxi Building Material.

### **Polymer Company**

Polymer Company is a limited liability company established on September 3, 2013 and carrying out its business in the PRC. Its principal businesses include the research and development, production and sale of concrete admixtures. It also provides technical consultation, research and development, technology transfer and technical services in the field of concrete. When Polymer Company was established, YNJG held 100% of its equity interest.

On January 10, 2017, YNJG transferred all the equity interest it held in Polymer Company to the Company as an in-kind capital contribution to the Company.

As of the Latest Practicable Date, Polymer Company was a wholly-owned subsidiary of the Company with a registered capital of RMB33,000,000.

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## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

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### **Aggregate Company**

Aggregate Company is a limited liability company established on September 30, 1999 and carrying out its business in the PRC. Its business scope includes processing and selling construction sand and stone, as well as the wholesale, retail and commission purchase and sales of construction materials, decorative materials and metal materials.

To further streamline its business structure, on May 31, 2018, YCIH transferred all the equity interest it held in the Aggregate Company to the Company. Based on the evaluation report issued by an independent valuer, the consideration of the transfer of the above-mentioned equity interest was RMB18,215,400, which was settled in cash in June 2018.

As of the Latest Practicable Date, the Aggregate Company was a wholly-owned subsidiary of the Company with a registered capital of RMB23,000,000.

### **14th Metallurgical New Material Company**

14th Metallurgical New Material Company is a limited liability company established on January 3, 2014 and carrying out its business in the PRC. Its principal businesses include the research and development, production, sale, transportation and pumping of commercial concrete; the research and development, production and sale of prefabricated concrete components, new wall materials, admixtures, ready-mixed mortar, building components, and concrete admixtures; and the provision of technical consultation, technology research and development, technology transfer and technology services in the field of concrete. When 14th Metallurgical New Material Company was established, 14th Metallurgical Construction Group Yunnan Fifth Construction and Installation Engineering Co., Ltd. (十四冶建設集團雲南第五建築安裝工程有限公司), a non-wholly-owned subsidiary of YCIH, held 100% of its equity interest.

For the purpose of further streamlining the internal business structure of YCIH, on February 13, 2018, 14th Metallurgical Construction Group Yunnan Fifth Construction and Installation Engineering Co., Ltd. transferred all the equity interest it held in 14th Metallurgical New Material Company to the Aggregate Company (at that time it was a wholly-owned subsidiary of YCIH). On December 5, 2018, the Aggregate Company transferred all the equity interest it held in 14th Metallurgical New Material Company to the Company. Based on the audited net assets in the audit report issued by an independent auditor, the consideration of the transfer of the above-mentioned equity interest was RMB32,647,209.12, which was settled in cash in November 2018.

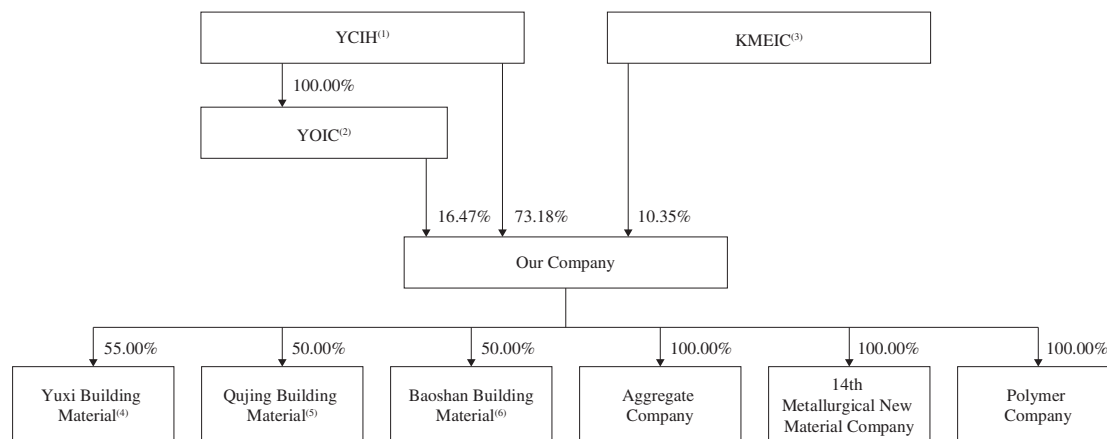
As of the Latest Practicable Date, 14th Metallurgical New Material Company was a wholly-owned subsidiary of the Company with a registered capital of RMB30,000,000.

As confirmed by the PRC Legal Advisers, the above equity transfers of the subsidiaries have been legally performed and have been completed in compliance with relevant PRC laws and regulations; and the above equity transfers have been duly registered with relevant administration authorities for industry and commerce pursuant to applicable PRC laws and regulations.

# HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

## SHAREHOLDING AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of the Company immediately prior to the completion of the Global Offering:

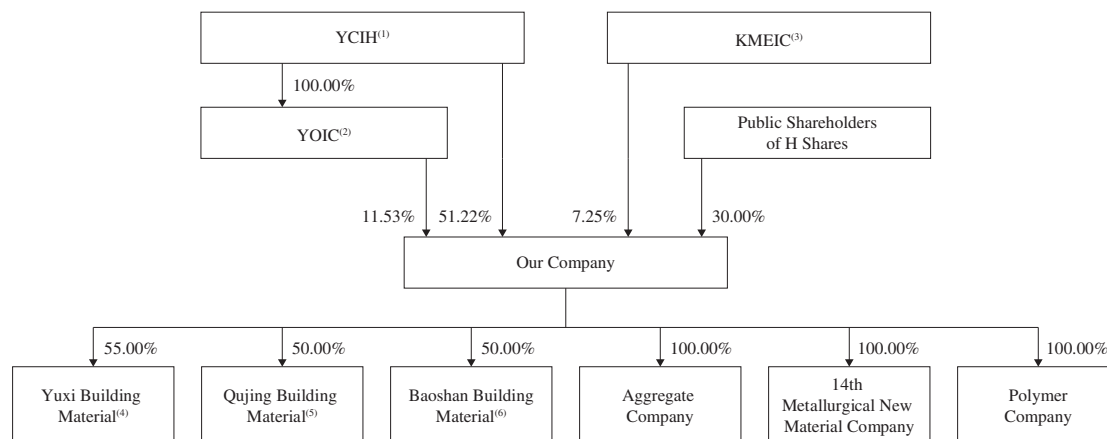


*Notes:*

- (1) YCIH is a limited liability company established in the PRC on April 19, 2016. Yunnan SASAC holds 90.27% of its equity interest and Yunnan Provincial Department of Finance (雲南省財政廳) holds 9.73% of its equity interest.
- (2) YOIC is a limited liability company established in the PRC on November 16, 2009 and a wholly-owned subsidiary of YCIH.
- (3) KMEIC is a limited liability company established in the PRC on July 6, 2006. The State-owned Assets Administration Commission of Kunming Economic and Technological Development Zone (昆明經濟技術開發區國有資產管理委員會) holds 100% of its equity interest.
- (4) As of the Latest Practicable Date, the Company held 55% equity interest of Yuxi Building Material, Yuxi Yanhe and Land Development Investment Co., Ltd., which, except for its equity interest in Yuxi Building Material, had no other connected relationship with the Company, held 30% equity interest and Yuanjiang Zhikai Materials Industry and Trade Co., Ltd., which, except for its equity interest in Yuxi Building Material, had no other connected relationship with the Company, held 15% equity interest. Yanhe Industrial Park Administration Commission of Yuxi (玉溪研和工業園區管理委員會) held 100% equity interest in Yuxi Yanhe Land Development Investment Co., Ltd. Each of Mr. Li Zhifeng (李志鋒) and Mr. Wang Kaiming (王開明) held 50% equity interest in Yuanjiang Zhikai Materials Industry and Trade Co., Ltd., respectively. Mr. Li Zhifeng served as a director of Yuxi Building Material. Save as disclosed above, they had no other connected relationship with the Company.
- (5) As of the Latest Practicable Date, the Company held 50% equity interest of Qujing Building Material, Yunnan Zhujiang, which, except for its equity interest in Qujing Building Material, had no other connected relationship with the Company, held 30% equity interest, and Qujing Zhongwei, which, except for its equity interest in Qujing Building Material, had no other connected relationship with the Company, held 20% equity interest. Qujing Fuli Development Co., Ltd. (曲靖富力發展有限責任公司) and Mr. Li Rufeng (李如峰) held 56.67% and 43.33% equity interest of Yunnan Zhujiang, respectively. Mr. Jiang Deyou (姜德有), who served as the deputy chairman of Qujing Building Material, held 75% equity interest in Qujing Fuli Development Co., Ltd., and Ms. Li Lixian (李麗仙), Ms. Li Lijuan (李麗娟), Mr. Jiang Desheng (姜德生) and Mr. Huang Chengcai (黃成才) collectively held 25% equity interest of Qujing Fuli Development Co., Ltd. Save as disclosed above, they had no other connected relationship with the Company. Mr. Qiu Guangxiong (邱光雄) and Mr. Qiu Xuezhi (邱學治) were the ultimate beneficial owners of Qujing Zhongwei, holding 60% and 40% equity interest of such company, respectively. Save as disclosed above, they had no other connected relationship with the Company.
- (6) As of the Latest Practicable Date, the Company held 50% equity interest of Baoshan Building Material, and Yongchang Investment, which, except for its equity interest in Baoshan Building Material, had no other connected relationship with the Company, held 50% equity interest. The State-Owned Assets Supervision and Administration Commission of Baoshan (保山市國有資產監督管理委員會) held 100% equity interest of Yongchang Investment.

## HISTORY, DEVELOPMENT AND CORPORATE STRUCTURE

The following chart sets out the shareholding and corporate structure of the Company immediately upon the completion of the Global Offering (assuming that the Over-allotment Option is not exercised):



*Notes:*

- (1) YCIH is a limited liability company established in the PRC on April 19, 2016. Yunnan SASAC holds 90.27% of its equity interest and Yunnan Provincial Department of Finance holds 9.73% of its equity interest.
- (2) YOIC is a limited liability company established in the PRC on November 16, 2009 and is a wholly-owned subsidiary of YCIH.
- (3) KMEIC is a limited liability company established in the PRC on July 6, 2006. The State-owned Assets Administration Commission of Kunming Economic and Technological Development Zone holds 100% of its equity interest.
- (4) As of the Latest Practicable Date, the Company held 55% equity interest of Yuxi Building Material, Yuxi Yanhe and Land Development Investment Co., Ltd., which, except for its equity interest in Yuxi Building Material, had no other connected relationship with the Company, held 30% equity interest and Yuanjiang Zhikai Materials Industry and Trade Co., Ltd., which, except for its equity interests in Yuxi Building Material, had no other connected relationship with the Company, held 15% equity interest. Yanhe Industrial Park Administration Commission of Yuxi (玉溪研和工業園區管理委員會) held 100% equity interest in Yuxi Yanhe Land Development Investment Co., Ltd. Each of Mr. Li Zhifeng (李志鋒) and Mr. Wang Kaiming (王開明) held 50% equity interest in Yuanjiang Zhikai Materials Industry and Trade Co., Ltd., respectively. Mr. Li Zhifeng served as a director of Yuxi Building Material. Save as disclosed above, they had no other connected relationship with the Company.
- (5) As of the Latest Practicable Date, the Company held 50% equity interest of Qujing Building Material, Yunnan Zhujiang, which, except for its equity interest in Qujing Building Material, had no other connected relationship with the Company, held 30% equity interest, and Qujing Zhongwei, which, except for its equity interest in Qujing Building Material, had no other connected relationship with the Company, held 20% equity interest. Qujing Fuli Development Co., Ltd. (曲靖富力發展有限責任公司) and Mr. Li Rufeng (李如峰) held 56.67% and 43.33% equity interest of Yunnan Zhujiang, respectively. Mr. Jiang Deyou (姜德有), who served as the deputy chairman of Qujing Building Material, held 75% equity interest in Qujing Fuli Development Co., Ltd., and Ms. Li Lixian (李麗仙), Ms. Li Lijuan (李麗娟), Mr. Jiang Desheng (姜德生) and Mr. Huang Chengcai (黃成才) collectively held 25% equity interest of Qujing Fuli Development Co., Ltd. Save as disclosed above, they had no other connected relationship with the Company. Mr. Qiu Guangxiong (邱光雄) and Mr. Qiu Xuezhi (邱學治) were the ultimate beneficial owners of Qujing Zhongwei, holding 60% and 40% equity interest of such company, respectively. Save as disclosed above, they had no other connected relationship with the Company.
- (6) As of the Latest Practicable Date, the Company held 50% equity interest of Baoshan Building Material, and Yongchang Investment, which, except for its equity interest in Baoshan Building Material, had no other connected relationship with the Company, held 50% equity interest. The State-Owned Assets Supervision and Administration Commission of Baoshan (保山市國有資產監督管理委員會) held 100% equity interest of Yongchang Investment.

### OVERVIEW

We are a leading ready-mixed concrete producer in China with strong research and development capabilities according to the CIC Report. With our accumulated technological expertise, continuous effort in research and innovation, and advanced management capability, we have become the first concrete producer in Yunnan Province to introduce modernized, scientific and environmentally-friendly manufacturing concepts into our production.

We are the largest ready-mixed concrete producer in Yunnan Province in terms of production volume in 2018 according to the CIC Report, with a market share of 14.9% in Yunnan Province. We are also one of the top ten (in the sixth place) ready-mixed concrete producers in China in terms of production volume in 2018. We produce and supply ready-mixed concrete and related construction materials as well as provide quality and technology management services to our customers.

Headquartered in Kunming, we have built an extensive production and sales network covering the vast majority of prefectures and cities in Yunnan Province which complements the construction of “Five Networks” promoted by Yunnan Provincial Government. As of the Latest Practicable Date, we operated 57 concrete batching plants, with 12 batching plants serving regional markets and 45 batching plants designated to serve specific construction projects.

Our core competitive strength lies in our strong capabilities in research and development, technologies in production and application of high-performance concrete and a series of high-performance concrete products. Subject to the different characteristics of raw materials, different types of construction projects, different structural positions applied and different environmental conditions, we are devoted to enhancing the performance of our concrete by optimizing the raw materials, adjusting our mixing proportions, refining our production process, as well as providing our enhanced technological support services. Normally the construction of highways, railways, airports, hydraulic infrastructures, ultra-high buildings and major urban infrastructure facilities requires high-performance concrete produced in a technologically-advanced and environmentally-friendly manner. In particular, such concrete must have better performance in workability, strength, durability as well as environmentally-friendly characteristics and longer service lifespan as compared to those used in the construction of regular buildings or other structures. Such high standards impose high requirements on the supplier of high-performance concrete in terms of production capacity, technical strengths and production management. Over the years, we have provided our high-performance concrete to many significant construction projects across Yunnan Province, including, among others:

- Kunming Changshui International Airport (昆明長水國際機場) project, in which we were involved in the development of functional polycarboxylic admixtures and recycled Dongchuan river sand to produce durable, low shrinkage and ultra-long, large volume concrete, fair-faced concrete and airport runway concrete with high performance in abrasion resistance, impact resistance and durability. The technological achievements of this project have been awarded the Second Prize of Technology Progress Award (科學技術進步獎二等獎) by the Government of Yunnan Province;

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- Shangri-la-Lijiang Highway project, in which we carried out experimental research and developed the key technology of durability of structural concrete and produced bridge and culvert concrete with high workability, high volume stability and high durability to adapt to harsh environmental conditions and construction difficulties of the project;
- Spring City 66 (昆明恒隆廣場), in which we carried out systematic research and development in key technologies of pumping high-performance concrete to ultra height through optimizing raw materials, mixing proportion and quality control. As a result, we developed ultra-high pumping high-performance concrete with machine-made sand, which enables us to pump the concrete directly to the top of the building with minimal material loss; and
- Kunming Rail Transit Project (昆明軌道交通工程), in which we developed a new type of green ultra-retardation concrete with which we can control the time for initial setting and final setting so as to solve the difficulties in constructing fencing structures in deep foundation trenches as well as to enhance the quality of the fencing structures. The technological achievement of this project has been awarded the Second Prize of Technology Progress Award (科學技術進步獎二等獎) by the Government of Yunnan Province and the Second Prize of Scientific and Technological Innovation Achievement of Science and Technology Award of China Association of Construction Enterprise Management (中國施工企業管理協會科學技術獎科技創新成果二等獎).

We are the first concrete producer in Yunnan Province to have obtained the three-in-one management system certification of GB/T19001, GB/T24001 and GB/T28001, and the China Environmental Labeling Product Certification. We are also one of the few concrete producers in Yunnan Province that have passed the inspection on clean production, and obtained the certifications on energy management system and safety production standardization. In addition, we are among the first batch being accredited with “three-star” rating in the Green Building Materials Star Rating in Yunnan Province. Over the years, we believe we have contributed to promoting green and low-carbon development of the industry. Attributable to years of research and development efforts, our multiple core technologies have achieved the national advanced level, which enable us to recycle the waste materials, such as debris flow river sand, phosphorus slag, slag powder, coal ash, stone chips and metakaolin for our concrete production, and lead the technology advancement and the green and low-carbon development of the Yunnan concrete industry.

Over the years, our achievements in the industry have been recognized both nationally and in Yunnan Province: (i) we have been recognized as one of “China’s Top Ten Ready-Mixed Concrete Enterprise (中國預拌混凝土企業十強)” for 2016 and one of “China’s Top Ten Commercial Concrete Enterprise (中國商品混凝土企業十強)” for 2017 and 2018; (ii) in 2017, we were accredited as a High-tech Enterprise; and (iii) in 2017 and 2018, our credit rating was recognized as “AAA” by the Enterprise Credit Association of Yunnan Province (雲南省企業信用促進會).

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The following table sets forth our revenue breakdown by the products and businesses for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
<b>Revenue</b>					
Ready-mixed concrete	2,374,563	3,068,086	3,294,261	1,053,681	914,410
Polycarboxylic admixtures	17,399	30,267	38,336	11,460	10,833
Aggregates	12,623	13,738	15,027	4,777	7,197
Quality and technology management service	–	–	9,493	–	5,547
<b>Total</b>	<b><u>2,404,585</u></b>	<b><u>3,112,091</u></b>	<b><u>3,357,117</u></b>	<b><u>1,069,918</u></b>	<b><u>937,987</u></b>

### OUR COMPETITIVE STRENGTHS

We believe that our success to date and the foundation of our future development are derived from the following strengths:

#### **We are the leading concrete producer in Yunnan Province with a dominant market position.**

We are the largest ready-mixed concrete producer in Yunnan Province in terms of production volume in 2018 according to the CIC Report, with a market share of 14.9% in the province. We were also among the top ten ready-mixed concrete producers in China in terms of production volume in 2018, ranking sixth in China. We produce and supply ready-mixed concrete and related construction materials as well as provide quality and technology management service to our customers. Leveraging on our extensive experience accumulated from over 1,000 construction projects, we have developed the dominant market position in Yunnan Province according to the CIC Report. Over the years, our achievement in the industry has been recognized nationally and in Yunnan Province: (i) we have been recognized as one of “China’s Top Ten Ready-Mixed Concrete Enterprise (中國預拌混凝土企業十強)” for 2016 and one of “China’s Top Ten Commercial Concrete Enterprise (中國商品混凝土企業十強)” for 2017 and 2018; (ii) in 2017 and 2018, we were accredited as a Hi-tech Enterprise; (iii) in 2017, our credit rating was recognized as “AAA” by the Enterprise Credit Association of Yunnan Province (雲南省企業信用促進會); (iv) our products were recognized as one of “Yunnan’s Famous Brands (雲南名牌)” in 2016; (v) we have the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站); and (vi) we have won more than 10 science and technology awards at the national or provincial level. As of the Latest Practicable Date, we had obtained seven invention patents, 32 utility model patents and two software copyrights.



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In light of our leading market position in Yunnan Province, we have built up a customer base which comprises state-owned enterprises in charge of large scale infrastructure construction projects all over China or their subsidiaries in charge of 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 Co., Ltd. (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 Construction Group Co., Ltd. (中國建築集團有限公司), the largest construction company in China in terms of revenue in 2018, and regional construction companies focusing on regional construction projects, such as YCIH Group, Guizhou Construction Engineering Group (貴州建工集團) and a member of Shanghai Construction Engineering Group (上海建工集團). Among them, YCIH Group, our largest customer during the Track Record Period, is the largest construction enterprise in Yunnan Province in terms of asset size and revenue generated from construction business. In 2018, YCIH Group had a market share of approximately 21.7% of the construction engineering industry in Yunnan Province according to the CIC Report. It also ranked fifth among the 2018 Top 80 Chinese Contractors awarded cooperatively by *Engineering News-Record* and *Construction Times* and has been recognized as one of the Top 250 International Construction Contractors by *Engineering News-Record* for nine consecutive years since 2010. We believe our strong customer base enables us to secure a stable source of orders, seize market opportunities and participate in key construction projects. Particularly, we believe we are able to continue to lead the market in Yunnan Province, while also explore markets in other regions in China.

**We are well positioned to seize the remarkable growth opportunities in the infrastructure industry in Yunnan Province as well as the expanding market potential in Southeast Asia.**

We are the first concrete producer in Yunnan Province to introduce modernized, scientific and environmentally-friendly manufacturing concepts into our production. Rooted in Yunnan for more than 20 years, we have advantages as an industry early mover in reputation-building as well as a healthy accumulation of technology and experience. With the infrastructure industry in Yunnan Province soaring at a higher rate than the state average, we have already achieved growth in our revenue. For the years ended December 31, 2016, 2017 and 2018, we have generated revenue of RMB2,404.6 million, RMB3,112.1 million and RMB3,357.1 million, respectively, representing a CAGR of 18.2% from 2016 to 2018. For the four months ended April 30, 2019, we have generated revenue of RMB938.0 million.

Yunnan Province is our key market, which is currently experiencing rapid economic growth resulting in considerable development potential in its infrastructure industry. As a result, the demand for concrete has been and is expected to continue to be enormous. According to the CIC Report, the real GDP of Yunnan Province recorded a growth rate of 9.1% in 2018, substantially higher than the national average of 6.6% for the same year. In addition, according to the CIC Report, the amounts invested in infrastructure construction and real estate fixed assets in Yunnan Province grew rapidly from 2013 and 2018, with a CAGR of 23.6% and 9.5%, respectively, much higher than the national averages of 13.9% and 6.0%, respectively, for the same period. As such, we believe that the demand for concrete (especially high-performance

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concrete) in Yunnan Province will continue to grow significantly as a result of this economic boom. According to the CIC Report, the production volume of ready-mixed concrete in Yunnan Province increased from 43.3 million cubic meters in 2013 to 61.2 million cubic meters in 2018 with a CAGR of 7.2%, significantly higher than the national average of 2.8%. In the future, driven by the rapid development of infrastructure construction and the real estate industry in Yunnan Province, as well as the implementation of various supportive policies on ready-mixed concrete by the governments at both the provincial and municipal levels in Yunnan Province, the demand for ready-mixed concrete is expected to stay strong. According to the CIC Report, the production volume and the production value of the ready-mixed concrete in Yunnan Province are expected to reach 82.1 million cubic meters and RMB31.1 billion, respectively, in 2023, at an estimated CAGR of 6.1% and 8.5% from 2018 to 2023, respectively. Leveraging our dominant market position in Yunnan Province, we believe we are able to capitalize on our well-recognized market reputation as well as our strong technology capability and experience to seize the remarkable growth opportunity in the infrastructure industry in Yunnan Province.

Benefiting from the Belt and Road Initiative of the PRC government, the Southeast Asian infrastructure market is expected to present enormous growth potential. Yunnan Province, having its unique geographic advantages of being the only Chinese province geographically connected to both the Southeast Asia and South Asia regions, is able to benefit from the Silk Road Economic Belt from the north and the Maritime Silk Road hub from the south. Yunnan has thus become the center of the PRC's efforts to extend its sphere of influence to Southeast Asia and is positioned as one of the provinces in China to benefit significantly from the Belt and Road Initiative. According to the Policy Measures to Support Yunnan Province to Accelerate the Construction of Radiation Centers in South Asia and Southeast Asia (《關於支持雲南省加快建設面向南亞東南亞輻射中心的政策措施》) promulgated by NDRC, the PRC government is expected to promote the interconnection and capacity cooperation in respect of infrastructure construction between Yunnan Province and neighboring countries. According to the CIC Report, under the Belt and Road Initiative, the total revenue generated by China from the construction projects in Southeast Asia during the five years from 2019 to 2023 is projected to reach US\$142.9 billion, among which, the total revenue from construction projects in Vietnam, Laos, Cambodia, Malaysia and Indonesia is projected to reach US\$107.0 billion. Along with the rapid growth of such construction projects, the demand for ready-mixed concrete in these countries is expected to reach approximately 92.9 million cubic meters. We aim to leverage our regional advantages to pursue opportunities in developing our businesses in emerging Southeast Asian markets, such as Vietnam, Laos, Malaysia and Indonesia in the coming years, and to actively participate in a variety of construction projects, such as airports, railways, highways and river channeling.

We believe that, as a market leader in the concrete industry in China with our outstanding performance in the Yunnan market, our extensive industry exposure and continuous technological innovation will equip us with the capability to seize market opportunities in the concrete industry in both Yunnan Province and Southeast Asia.

**Our strong and leading technology capabilities have enabled us to become the first to achieve green production of concrete and won us a prestigious reputation in the industry.**

We are the first concrete producer in Yunnan Province to have obtained the three-in-one management system certification of GB/T19001, GB/T24001 and GB/T28001, and the China Environmental Labeling Product Certification. We are also one of the few concrete producers in Yunnan Province that have passed the inspection on clean production, and obtained certifications on our energy management system and safety production standardization. In addition, we are among the first group accredited with “three-star” rating in the Green Building Materials Star Rating in Yunnan Province. Attributable to our efforts in promoting the green and low-carbon development of the industry as well as to our implementation of green and clean production methods, as of the Latest Practicable Date, the ready-mixed concrete of five of our batching plants had been accredited with “three-star” rating in the Green Building Materials Star Rating by China Academy of Building Research (中國建築科學研究院) and the ready-mixed concrete products produced by another two of our batching plants had been accredited with “two-star” rating in the Green Building Materials Star Rating by the Yunnan Academy of Building Research (雲南省建築科學研究院). Over the years, we believe that we have contributed significantly to promoting green and low-carbon development of the industry.

Attributable to years of research and development efforts, our multiple key technologies have achieved the national advanced level, such as green and high-performance concrete for highway bridges and culverts (高速公路橋涵綠色高性能混凝土), high crack resistance, durable and high-performance concrete for metakaolin (高抗裂高耐久偏高嶺土高性能混凝土), new-type green ultra-retardation concrete (新型綠色超緩凝混凝土), high dropping self-compacting concrete (高拋自密實混凝土), ultra-high and ultra-long pumping concrete (超高超長泵送混凝土), fair-faced concrete and energy-saving and super-light ceramsite foam concrete (節能超輕陶粒泡沫混凝土). Besides, we have realized the comprehensive utilization of local waste resources such as debris flow river sand, phosphorus slag, slag powder, coal ash, stone chips and metakaolin for our concrete production, and to lead the advancement of technology and green and low-carbon development in the Yunnan concrete industry. For example, for the Kunming Changshui International Airport (昆明長水國際機場) project, we were involved in the development of functional polycarboxylic admixtures and applied them in our concrete production along with recycled Dongchuan river sand. Our products were recognized by our customer, and the project was awarded, among others, the Golden Prize for National Quality Engineering Project (國家優質工程金質獎), the China Construction LuBan Award (中國建築工程魯班獎) and the China Civil Engineering Zhan Tianyou Award (中國土木工程詹天佑獎).

We possess production technologies in admixture and aggregates and technologies with respect to high-performance concrete, including its research, development and application, which enable us to select suitable raw materials for concrete production and optimize concrete mixing proportions in accordance with geological conditions and the technical requirements for each project. We have technology in the configuration and production of high-strength concrete of compressive strength of 100MPa. and are able to design and produce concrete that meets a variety of technological standards from C10 to C100 under the National Code. We also enhance the strength and durability of our concrete through optimizing admixtures. As such,

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our products are able to adapt to the special geological conditions in Yunnan Province through technology innovation and advancement in our production process. For example, in the construction of the Shangri-la-Lijiang Highway, which involved the construction of highways in very harsh environmental conditions, such as low temperature, high altitude, large temperature differences between day and night, and low humidity, and with construction complexity, we carried out experimental research and developed the key technology of durability of structural concrete to produce bridge and culvert concrete with high workability, high stability and high durability to adapt to the harsh environmental conditions and construction difficulties of the project. Leveraging our strong and industry leading technology capabilities, we are the first company in Yunnan Province with the ability to produce and apply environmentally-friendly and high-performance concrete through locally produced raw materials, as well as one of the few enterprises in the region with the ability to produce high strength concrete of C80 and above under the National Code.

We are devoted to driving our growth through research and innovation. Focusing on cutting-edge technologies of concrete production, we have accumulated solid research and development experience. As of the Latest Practicable Date, we had three provincial-level research and development platforms, namely the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站), and had established school-enterprise collaborative relationships with some of the institutes in China, such as the School of Materials Science and Engineering of Xi'an University of Architecture and Technology (西安建築科技大學材料科學與工程學院), the School of Architecture and Engineering of Kunming University of Science and Technology (昆明理工大學建築工程學院), the Yunnan Academy of Building Research (雲南省建築科學研究院) and the Jianyan Building Material Co., Ltd. (建研建材有限公司) (formerly known as the Institute of Building Materials of China Academy of Building Research (中國建築科學研究院建築材料研究所)). As of April 30, 2019, we had undertaken over 20 science and technology projects at the provincial or municipal level. As of the Latest Practicable Date, we had obtained seven invention patents, 32 utility model patents, and two software copyrights, and had received awards and recognitions such as the “Second Prize of Technology Progress Award (科學技術進步獎二等獎)”, “Second Prize of Scientific and Technological Innovation Achievement of Science and Technology Award of China Association of Construction Enterprise Management (中國施工企業管理協會科學技術獎科技創新成果二等獎)” and “China’s Top Ten Ready-mixed Concrete Enterprise (中國預拌混凝土企業十強)”.

In addition, we and/or our employees took the lead or participated in the formulation of six national standards, seven industrial standards, one association standard as well as six provincial standards as of the Latest Practicable Date. We believe that our active involvement in the standard-making process allows us to demonstrate our technological strengths, exert our influence and enhance our competitiveness in the market.

**Our high-performance concrete products enable us to focus on infrastructure markets with higher entry barriers and higher profitability.**

Our core competitive strength lies in our research and development of technology, production and application of high-performance concrete and a series of high-performance concrete products. Subject to the different characteristics of raw materials, different types of construction projects, different structural positions applied and different environmental conditions, we are devoted to enhancing the performance of our concrete products by optimizing the raw materials we use, adjusting our mixing proportions, refining our production processes as well as providing our enhanced technological support services. Normally the construction of highways, railways, airports, hydraulic infrastructures, ultra-high buildings and major urban infrastructure facilities requires high-performance concrete produced in a technologically-advanced and environmentally-friendly manner. In particular, such concrete must have better performance in workability, strength, durability as well as environmentally-friendly characteristics and longer service lifespan as compared to concrete used in the construction of regular buildings or other structures.

Benefiting from the recent economic development in Yunnan Province, we believe there will be an increasing demand for high-performance ready-mixed concrete for the construction of highways, railways, airports and other major urban infrastructure. Compared with the production and supply of ordinary concrete, the production and supply of high-performance ready-mixed concrete has higher entry barriers in terms of production capacity, technical strengths, production management and project experience as well as product quality. Due to its higher entry barrier, high-performance concrete generally has a higher profit margin than ordinary concrete.

With advanced production technology, high-quality ready-mixed concrete, stable supply capability and efficient production management, we possess advantages with respect to construction projects for highways, railways, airports and other major urban infrastructure which have higher quality requirements for their ready-mixed concrete according to the CIC Report. As of the Latest Practicable Date, we had participated in several such projects, including the Kunming Changshui International Airport (昆明長水國際機場) project, Spring City 66 (昆明恒隆廣場), Kunming Rail Transit Project (昆明軌道交通工程), Shangri-la-Lijiang Highway, Yuanman Highway and other major projects, to supply concrete as well as to provide technical support services to address harsh construction conditions. In 2017, we supplied high-performance concrete to seven of the 31 highway projects under construction in Yunnan Province. As of April 30, 2019, we had supplied high-performance concrete to several renowned highway projects, including, among others:

- the Mazhao Highway project, which involved the construction of eight bridges and eight tunnels at an altitude of 610 meters to 3,198 meters. To address the complex topography and geology (such as cliffs and ravines and possible mud slides) as well as harsh weather conditions (such as fog, snow, extreme cold and sleet), this project has high requirements in the workability and durability of the concrete; and

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- the Southeast Kunming Ring Highway project, which is the highway construction project currently with the largest investment amount and the longest in length in Kunming. The highway crosses a harsh geographical environment, including plateau gorges with steep terrain, and thus imposes extreme difficulties in transporting our concrete. In addition, as the project is located in an area of geological complexity with large portions of weak surrounding rock in the tunnel and involves construction of large numbers of bridges and tunnels and the prolonged construction period of the temporary projects, it was very difficult to carry out the construction and required higher workability of the concrete in this project.

We believe that our ability to produce high-performance concrete to satisfy such complex infrastructure projects is proof of our strong research and development capabilities as well as our stringent requirements in quality control. As a result, we have achieved favorable results in our financial performance during the Track Record Period.

**We have the most extensive production and sales network in Yunnan Province. Coupled with our strong production organization and management, we are able to secure a massive and stable supply of concrete.**

We are able to supply massive ready-mixed concrete in a speedy manner with our extensive coverage of production and sales network in Yunnan Province and strong production and management capabilities.

Headquartered in Kunming, we have built an extensive production and sales network covering the vast majority of the prefectures and cities in Yunnan Province which complements the construction of “Five Networks” promoted by Yunnan Provincial Government. As of the Latest Practicable Date, we operated 57 concrete batching plants, with 12 batching plants serving regional markets and 45 batching plants designated to serve specific construction projects. In 2016, 2017 and 2018, we produced and sold 7.7 million cubic meters, 8.9 million cubic meters and 9.1 million cubic meters of concrete, and generated revenue from sale of concrete of RMB2,374.6 million, RMB3,068.1 million and RMB3,294.3 million, respectively, representing a CAGR of 17.8% from 2016 to 2018. For the four months ended April 30, 2019, we produced and sold 2.6 million cubic meters of concrete, and generated revenue from sale of concrete of RMB914.4 million. Through years of development and accumulated experience, we have developed a solid capability and experience in concrete production and delivery as well as resource allocation and control, all of which are well proven by our record-breaking daily production of 13,000 cubic meters of concrete productions for a single project.

Over the years, we have accumulated significant practical experience in the production planning, delivery and despatching of pumping vehicles, and have established an efficient information-based management system, all of which enables us to secure a continuous and stable supply of concrete and enhances the efficiency of our fixed assets. As of the Latest Practicable Date, we operated 97 concrete production lines and owned 158 concrete mixer trucks, two concrete pump trucks and 413 sets of various production/testing equipment. As of the Latest Practicable Date, we have achieved effective management of production and technological control for our batching plants.

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The supply of ready-mixed concrete is a whole process that may continue after the products being delivered and extend to a period of 28 days to verify its compressive strength after being casted. As such, it is essential for a concrete supplier to implement a control system over the whole process of research and development, production and supply and technological guidance to ensure the quality of the concrete supplied. The establishment of such a system usually requires long-term focus and continuous professional efforts, which we believe is one of our competitive strengths that distinguish us from our competitors.

### **We have a dedicated and experienced professional management team and employees.**

We have talent reserves with rich experience and strong and comprehensive capabilities in the concrete industry. Our senior management team has an average of 14 years of experience in the concrete industry, and most of them have been making great contributions to our growth for more than 10 years with their solid business administration and financial management expertise. As of April 30, 2019, we employed a total of 1,170 full time employees, including 131 managerial personnel and 354 technical personnel, among which 51 employees were qualified technicians of mid and advanced levels. The contributions of our employees have been well recognized and awarded. For example, as of the Latest Practicable Date, three employees were awarded the First Prize of Scientific and Technological Innovation Achievement (科學技術獎技術創新成果一等獎) and five employees were awarded the Second Prize of Scientific and Technological Innovation Achievement (科學技術獎技術創新成果二等獎) by the China Association of Construction Enterprise Management (中國施工企業管理協會), five employees were awarded the Title of Excellent General Engineer in China Concrete Industry (中國預拌混凝土行業優秀總工程師稱號), one employee was awarded the Excellent Individual in Science and Technology Innovation (科學技術創新先進個人) by the China Association of Construction Enterprise Management (中國施工企業管理協會), one employee was awarded the Title of Yunnan Province's Technical Innovation Talent (雲南省技術創新人才稱號), seven employees were awarded the Second Prize of Yunnan Technology Progress Award (雲南省科學技術進步獎二等獎), four employees were awarded the Third Prize of Yunnan Technology Progress Award (雲南省科學技術進步獎三等獎), three employees were awarded the Third Prize of Kunming Technology Progress Award (昆明市科學技術進步獎三等獎), one employee was awarded the Title of Kunming Outstanding Professional and Technical Talent with Outstanding Contribution (昆明市有突出貢獻優秀專業技術人才稱號), one employee was awarded the Yunnan Province May 1st Labor Medal (雲南省五一勞動獎章), one employee was awarded the Yunnan Province May 1st Female Pioneer (雲南省五一巾幗標兵), one employee was awarded the Yunnan Province Excellent Labor Union Worker (雲南省優秀工會工作者), one employee was awarded Yunnan's Pioneer Worker in Promoting Bulk Cement and Concrete Industry (雲南省推廣散裝水泥及預拌混凝土行業先進工作者) and one employee was conferred the title of Industry Technical Leader in the Ten Thousand Talents Plan in Yunnan Province (雲南省萬人計劃產業技術領軍人才稱號). We believe the industry knowledge and technical expertise of our management team as well as the expertise and dedication of our employees have been, and will continue to be, essential to our growth.

### OUR DEVELOPMENT STRATEGIES

We are committed to becoming a leading concrete producer in China. To this end, we strive to continuously optimize our production capacity, enhance our operational efficiency and strengthen our regional market position. To achieve such goals, we plan to implement the following development strategies:

#### **Strengthen our leading market position in Yunnan Province by expanding and optimizing our production capacity**

Our concrete production network covers the vast majority of prefectures and cities in Yunnan Province. In order to enhance our market penetration in Yunnan Province, we will construct concrete production lines in markets with considerable demand in a timely manner and continue to extend our production network from prefecture-level cities to county-level regions. For instance, we have been gradually expanding our production network in Zhaotong prefecture from the urban area to the counties, including Zhenxiong County and Qiaojia County. We will continue to expand our production network in Ludian County and Jing'an New Area. The development of infrastructure and real estate in Western China is experiencing rapid growth, particularly in Yunnan Province, which will boost the regional demand for concrete. Meanwhile, the penetration rate of ready-mixed concrete in Yunnan Province was as low as 30.9% in 2018, much lower than the national average of 46.2%, according to the CIC Report. We believe this presents a huge market potential for our business growth in Yunnan Province. We will seize these opportunities, especially by participating in the construction of large scale infrastructure and projects related to people's well-being, such as water conservancy and hydropower, highway and poverty relief and relocation, by constantly optimizing the layout of our production network, and by strengthening our leading position in Southwest China through leveraging the efficiency of our large scale operations. As of the Latest Practicable Date, we planned to undertake the construction of six modernized concrete production lines for the Qiaojia County Jinsha River Baihetan Hydropower Station immigrant relocation project (巧家縣金沙江白鶴灘水電站移民搬遷項目) and twelve modernized concrete production lines for the Yongda Highway project in Chuxiong Prefecture. We plan to further undertake the construction of twenty or more modernized concrete production lines for the Yunlan Highway project and the Hejianlan Highway project in Dali City by 2019. In addition, we expect to undertake the construction of 22 modernized concrete production lines for large projects, including the Kunming Changshui International Airport construction project (phase II) (昆明長水國際機場二期建設項目), the Central Yunnan Water Diversion project (滇中引水工程) and the Miyu Highway construction project. We plan to use the proceeds of the Global Offering to construct new batching plants along these highways, in order to invest, improve, integrate and expand part of our current concrete production lines. We plan to employ the funds generated from our operation and other financial resources available to construct the rest of the batching plants we plan above.

Furthermore, we also plan to use the proceeds from Global Offering to build development center for UHPC and related products and production bases for new materials of recycled solid waste in Kunming area, as well as production bases for green and environmentally friendly new materials in Zhaotong and Yuxi. Please refer to the section headed "Future Plans and Use of Proceeds" for more details.



### **Enhance our sales and marketing capabilities and expand our sales network**

Our sales and marketing capabilities are the key to secure our leading market position and market share in Yunnan Province. We intend to establish and maintain good relationships with our customers through optimizing our customer relationship management and cultivating technology experts with extensive exposure to the concrete industry who may provide professional services to our customers, especially in large projects.

In addition, we plan to make a series of efforts to improve the efficiency of our sales network, so as to enhance our market position and market share. These efforts will include market research, customer visits, collection of clients' feedback, analysis of competitors' products and pricing models, establishment of sales departments in each branch and subsidiary, improvement in the technical training for sales personnel, and appropriate assignment of sales personnel in accordance with the particular circumstances of potential clients in different regions. Furthermore, we have established a marketing department in our headquarter to specifically serve the large-scale and high-profile projects.

We also plan to leverage the opportunities brought by the strategy of the central government to develop Xiong'an New Area and gradually expand our sales network out of Yunnan Province. As of the Latest Practicable Date, we were actively seeking opportunities to expand our business into Xiong'an New Area by exploring suitable projects in the area. Subject to the availability of and our ability to successfully secure such suitable projects, we expect to expand our business into Xiong'an New Area in the next two or three years. As of the Latest Practicable Date, we had participated in the bidding for construction of two batching plants and we were preparing to participate in bidding for construction of several batching plants in and near Xiong'an New Area. We expect to serve the increasing demand of commercial concrete brought by the mass construction of Xiong'an New Area.

Furthermore, the Belt and Road Initiative is expected to create a large number of infrastructure construction projects in Southeast Asia countries, which will lead to a high market demand for our products. To seize this opportunity and to make the most of our geographical advantages, we plan to expand our marketing coverage to neighboring Southeast Asian countries, including Laos, Malaysia and Indonesia. Our expansion in these Southeast Asian countries is subject to our ability to secure suitable projects in the area, and as of the Latest Practicable Date, we were actively seeking the opportunities.

Since February 2018, we have been preparing to participate in the construction of the first highway in Laos, which will start from Vientiane, the capital of Laos, and end at Vang Vieng in a total length of 109.1 kilometers. This highway is an important section of the highway between Vientiane to Boten, a crucial part of the Asian Highway Network and the Kunming – Bangkok International Road, and also a significant project of the Belt and Road Initiative.

### **Further lower our production cost and optimize operational efficiency**

To decrease procurement costs incurred from raw materials such as aggregates and cement, we have adopted a centralized procurement model by means of tendering and bidding, competitive negotiation and price comparison. We plan to leverage the efficiency created under our large-scale operations through mass procurement and standardized procurement procedures to enhance our bargaining power and further exert our influence on the prices offered by our suppliers. In the meanwhile, based on the market landscape of raw materials in different regions, we plan to, without sacrificing product quality, seek production and technological solutions to lower the costs by optimizing production disposition. We plan to use the proceeds from the Global Offering to participate in aggregates mining projects in Zhaotong, Kunming, Yuxi and some surrounding areas of the highways to be built, in order to integrate our upstream material resources and further consolidate our concrete production chain.

Our initiative to promote the reuse of concrete waste and solid waste reflects not only our concerns over green development and energy saving, but also our efforts in reducing production cost.

We will consistently assess our operational procedures and endeavor to optimize our production flow, promote the upgrade of facilities and equipment, accelerate informatization upgrades, continuously improve the efficiency of our production and delivery appliances, and ensure the smooth coordination between all personnel and production equipment, in order to further elevate management efficiency.

We plan to further integrate our information system by utilizing the Internet, industrial control techniques, an ERP system, a production alarm and monitoring system, a GPS surveillance system, a tachograph monitoring system and mobile applications so that we are able to achieve an extensive informationization of the whole process of our production. Our goal is to achieve an intelligentized and green production process with reasonable human interference, as well as an automatic, intelligent, standardized and refined management system which is expected to enhance the efficiency of our production and productivity of our management.

### **Continuously enhance our capability in scientific research and development and technological innovation**

We will continue to leverage our exposure to large, state-level projects in connection with, among others, highways, high speed railways, urban rail transit systems, urban utility tunnels, water diversion projects, sponge cities, ultra-high buildings, and prefabricated buildings, to boost our research and development in core technologies in green and high-performance concrete. For example, we plan to comprehensively utilize technology for solid waste resources (such as recycled aggregates), develop high-performance concrete application technology and develop key products to adapt to the requirement of ultra-large volume, ultra-deep underground conditions, ultra-deep underwater construction, ultra-complex environmental conditions and special functional requirements (such as ultra-height pumping of

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C80 and above concrete (C80及以上超高泵送混凝土), lightweight aggregates concrete of C60 and above (C60及以上輕骨料混凝土), C30 and above pervious concrete (C30及以上透水混凝土), KS150 high corrosion resistant concrete (KS150高耐腐蝕混凝土), decorative concrete (裝飾混凝土), light transmitting concrete (透光混凝土), high durability prestressed steel cylinder concrete pipe (高耐久預應力鋼筒混凝土管), assembly lightweight high-strength concrete wall panels (裝配式輕質高強混凝土牆板), as well as to solve the technical problems of concrete in special structures, special construction and with special functions. We will also continue to maintain close collaboration with the School of Materials Science and Engineering of Xi'an University of Architecture and Technology (西安建築科技大學材料科學與工程學院), the School of Architecture and Engineering of Kunming University of Science and Technology (昆明理工大學建築工程學院), the Yunnan Academy of Building Research (雲南省建築科學研究院) and the Jianyan Building Material Co., Ltd. (建研建材有限公司) (formerly known as the Institute of Building Materials of China Academy of Building Research (中國建築科學研究院建築材料研究所)), and fully capitalize three existing provincial-level research and development platforms (i.e. the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站), to constantly improve our scientific research, development and technological innovation capabilities.

In addition, we also plan to focus on the development of UHPC and relevant products. UHPC is a kind of fiber-reinforced concrete with high compressive strength (ranging from 150MPa to 800MPa), high tensile strength (higher than 5MPa), ultra-high toughness, high durability, high abrasability, high blast resistance and strong self-healing ability in terms of microfractures. By breaking through the bottleneck of the production and application of UHPC, we target formulating a complete industry chain of UHPC covering research and development, production and engineering application with a special focus on the research and development of the carbon nanotubes reinforced cement-based composite material (碳納米管水泥基複合材料) and relevant products. We expect to lead the green and high-end innovation of the concrete industry and develop multi-purpose concrete as well as combine our production process with the cutting-edge information technology (such as 3-dimensional printing) and apply our products to intelligent buildings, prefabricated buildings, large span bridges, ultra-high buildings and high-specification building components (including, among others, blast-resistant structures, thin-walled structures, aseismic structures, abrasion-resistant constructions and corrosion-resistant constructions) in the future.

We believe these efforts will enable us to strengthen our leading position in the industry, extend our influence in the market, improve our competitiveness and demonstrate our technological strengths in providing quality products to our customers. We target to strengthen our long-term relationships with our key customers by consistently providing quality products and services. We will make further efforts in enhancing our market reputation as a quality concrete producer in the target markets, which we believe will have positive influence on our operational performance in the future.

### PRODUCTS AND SERVICE

Our principal businesses include the production and sale of ready-mixed concrete, polycarboxylic admixtures and aggregates as well as the provision of concrete-related quality and technology management services.

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Concrete is a mixture of cement paste and aggregates. The paste, composed of cement and water, coats the surface of the fine and coarse aggregates. Through a chemical reaction called hydration, the paste hardens and gains strength to form concrete. In order to enhance the performance of the concrete, especially under different geology and weather conditions, we optimize proportioning parameters and add appropriate functional admixtures, such as polycarboxylic admixtures, anti-freezing admixtures, expanding admixtures and fibers during the process of mixture. Our ready-mixed concrete is mixed at the mixer where all kinds of materials are weighed through a weighing apparatus according to the designed mix proportions. The inspected finished products are then transported to the construction site. As the production of our ready-mixed concrete is driven by the sales prospects, the difference between the production and sales volume of our ready-mixed concrete is minimal. Leveraging our extensive experience in concrete production, we are capable of producing total 13 different strength grades of concrete under the National Code and/or other concrete with features such as leakage resistance, erosion resistance, bending resistance, freeze resistance, acid endurance and fracture resistance. Our concrete is used in the construction of high-rise buildings and infrastructure projects such as bridges, airports, railways and roads.

In addition, we also produce polycarboxylic admixtures, which are added into the mixture of paste as dispersants so as to improve the performance of the hardening fresh paste and produce high-performance concrete. During the Track Record Period, our polycarboxylic admixtures products were mainly used in our concrete production, and the polycarboxylic admixtures we sold to external customers were mainly mother liquor. In 2016, 2017 and 2018 and the four months ended April 30, 2019, we sold 444.8 tonnes, 2,944.0 tonnes, 4,939.3 tonnes and 1,019.0 tonnes of polycarboxylic admixture mother liquor to external customers, respectively.

During the Track Record Period, we used most of our aggregates products as raw materials for our concrete production and sold a small portion of our aggregates products to external customers. In addition, we also sold the aggregates procured from our suppliers to our customers. In 2016, 2017 and 2018 and the four months ended April 30, 2019, we sold 149,479.1 tonnes, 134,361.7 tonnes, 261,905.5 tonnes and 197,372.8 tonnes of aggregates to external customers, respectively. As of the Latest Practicable Date, our aggregates production lines were leased to one Independent Third Party for production. The lease agreement commenced from February 21, 2019 till June 30, 2020. During the lease period, the lessee is entitled to use the aggregates production lines, and is responsible for the maintenance and custody of the production equipment. We do not participate in the lessee's production process. The rental charges are calculated based on the volume of aggregates produced by the production lines, and will be settled on a monthly basis. Any rental income recognized will be accounted as other income in our accounts. Before we leased the aggregates production line to the lessee from February 21, 2019, the lessee provided management services to our Group with respect to our aggregates production, which included, among other things, aggregates quality management, public relationship management, and facility maintenance. The management service fees were calculated based on the volume of aggregates produced and settled on a monthly basis. In order to facilitate the settlement of mutual debt and decrease unnecessary cash inflow and outflow, through good-will negotiation, we and the lessee agreed to settle the

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rents as of June 30, 2019 by offsetting the management service fees that we owed to the lessee. During the three years ended December 31, 2018 and up to the provision of management services terminated with effect from February 21, 2019, we incurred total management services fees of RMB23.2 million. As of the Latest Practicable Date, the total management services fees outstanding after offsetting were RMB1.4 million. During the Track Record Period, a large proportion of the aggregates that we used as our raw materials were purchased externally, while only a small proportion were self-produced. In 2016, 2017 and 2018 and the four months ended April 30, 2019, we purchased approximately 11.0 million tonnes, 15.2 million tonnes, 16.1 million tonnes and 4.7 million tonnes of aggregates, respectively, from external suppliers accounting for approximately 91.3%, 92.8%, 97.4% and 99.7% of the aggregates we procured during the respective period. After the lease of our self-owed aggregates production lines, we may continue to procure the aggregates from external suppliers. Please refer to “– Suppliers” for more details on the procurement of our raw material. Considering that (i) the aggregates produced by these two production lines leased to the Independent Third Party only accounted for a small portion of the aggregates we procured for our production during the Track Record Period; and (ii) we already have a procurement policy in place for procurement of aggregates externally, we do not expect the leasing of the aggregates production lines to the Independent Third Party would have any material adverse impact on our business operations or financial performance.

### Ready-mixed Concrete

In addition to mortar, based on the strength grades the ready-mixed concrete can be divided into three categories: low-to-mid strength level (i.e. grade level of C10, C15, C20 and C25 under the National Code); mid-to-high strength level (i.e. grade level of C30, C35, C40, C45, C50 and C55 under the National Code); and high strength level (i.e. grade level of C60 and above under the National Code). Set out below are our ready-mixed concrete as divided by strength levels:

Strength Level	Characteristics	Application	Price Range (Tax-inclusive) (RMB/m <sup>3</sup> )
Mortar and flexure-tension resistant concrete <sup>Note 1</sup>	mortar with no coarse aggregates, low self-weight, high adhesion and light absorption; flexure-tension resistant concrete with flexure-tension resistance higher than that of normal concrete	mortar mainly used for masonry, plastering and floor; walls for regular building, moistening insulation layer and screed-coat, and partly used for pump pipe lubrication; flexure-tension resistant concrete generally used for component with performance function of flexure-tension resistant, such as road pavement and highway pavement	200 to 648 <sup>Note 2</sup>

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Strength Level	Characteristics	Application	Price Range (Tax-inclusive) (RMB/m <sup>3</sup> )
Low-to-mid Strength	relatively low compressive strength and anti-permeability	mainly used in non-load-bearing elements and temporary structures with relatively lower bearing strength and lower requirement on durability, such the concrete cushions for buildings, retaining walls for highways, foundation pit backfilling and construction roads	174 to 515
Mid-to-high Strength	good compressive strength, volume stability and durability	mainly used in load-bearing elements and permanent structures in infrastructures and house constructions, including raft foundations and prestressed T beams	230 to 650
High Strength	high compressive strength, durability, workability and volume stability	mainly used in symbolic structures like large span bridges and skyscrapers, including the main structure for large span bridges and the core tube for skyscrapers	375 to 490 and above

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*Notes:*

1. Flexure-tension resistant concrete is generally graded and sold according to its flexural strength instead of compressive strength.
2. The unit price of pipeline wetting mortar is generally the same as the concrete at the same level while the unit price of mortar of other types is generally higher than the unit price of concrete at the same level.

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The table below sets forth a breakdown of our production volume, output value and average selling price (tax inclusive) by different strength levels of concrete for the periods indicated based on the contracts performed during the respective period:

	For the year ended December 31,				For the four months ended April 30,							
	2016	2017		2018	2019							
	production volume <sup>Note 1</sup>	output value <sup>Note 2</sup>	average selling price (tax inclusive)	production volume <sup>Note 1</sup>	output value <sup>Note 2</sup>	average selling price (tax inclusive)	production volume <sup>Note 1</sup>	output value <sup>Note 2</sup>	average selling price (tax inclusive)			
	(m <sup>3</sup> )	(RMB'000)	(RMB/m <sup>3</sup> )	(m <sup>3</sup> )	(RMB'000)	(RMB/m <sup>3</sup> )	(m <sup>3</sup> )	(RMB'000)	(RMB/m <sup>3</sup> )			
Mortar and flexure-tension resistant concrete	49,759.3	16,991.4	341.5	85,497.7	33,792.7	395.3	80,378.6	34,811.5	433.1			
Low-to-mid Strength	2,026,375.0	597,144.9	294.7	2,479,534.5	813,375.0	328.0	2,149,915.4	738,150.5	343.3			
Mid-to-high Strength <sup>Note 3</sup>	5,549,881.6	1,826,547.4	329.1	6,268,569.2	2,351,283.7	375.1	6,841,138.6	2,673,081.4	390.7			
High Strength	32,001.5	13,098.0	409.3	44,445.9	19,577.1	440.5	65,922.0	29,786.3	451.8			
<b>Total</b>	<b>7,658,017.4</b>	<b>2,453,781.7</b>	<b>320.4</b>	<b>8,878,047.3</b>	<b>3,218,028.6</b>	<b>362.5</b>	<b>9,137,354.6</b>	<b>3,475,829.7</b>	<b>380.4</b>	<b>2,559,240.6</b>	<b>971,115.1</b>	<b>379.5</b>

Notes:

- The production of the Group's ready-mixed concrete is driven by the sales prospects, and the difference between the production and sales volume of the ready-mixed concrete is minimal.
- The output value is different from the revenue since (i) the revenue is tax-exclusive, while the output value is tax-inclusive; and (ii) the revenue is recognized in accordance with the accounting policy while the output value is calculated merely based on the value of contracts performed during the respective period.
- For the year ended December 31, 2016, 2017 and 2018, and for the four months ended April 30, 2019, mid-to-high strength concrete had the highest production volume among our concrete, accounting for 72.5%, 70.6% and 72.7% of the total production volume for the respective period.

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We produce ready-mixed concrete of high and various performance. We adjust the mixing proportions or insert admixtures to enhance the performance of concrete and produce high-performance concrete. Normally the construction of highways, railways, hydraulic infrastructure and airports requires concrete of higher performance, with special attributes in crack resistance, impermeability, durability and abrasion performance, than those for the construction of regular buildings or other structures.

The table below sets forth the major performances and price range of our ordinary concrete and the high-performance concrete:

<u>Concrete Type</u>	<u>Performance</u>	<u>Price Range (RMB) (Tax-inclusive)</u>
Mortar	Mortar does not contain coarse aggregates, and is low self-weight, high adhesion and light absorption; Mortar is mainly used for masonry, plastering and floor, walls for regular building, moistening insulation layer and screedcoat, and partly used for pump pipe lubrication.	200 to 648
Ordinary Concrete	Ordinary concrete in strength levels C10, C15, C20, C25 and C30 (with water to cement ratio higher than 0.45) with the workability, strength and durability of normal concrete. Ordinary concrete is primarily used in non-primary load-bearing elements of ordinary building construction and municipal engineering	174 to 525
High-performance Concrete	Concrete with excellent mechanical properties, high workability, high crack resistance, low hydration heat, high impermeability, high volume-stability and optimized mixture proportion (water to cement ratio no higher than 0.45). Different performances may be customizedly combined based on project types and service environments.  High performance generally has strength levels of C30 (with water to cement ratio no higher than 0.45), C40, C45, C50, C55 and C60. According to different project categories, structural parts and service environments, high-performance concrete is applied in special engineering structures, parts and/or under special construction environment.	230 to 650 and above



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The table below sets forth a breakdown of our production volume of our concrete by type for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<i>(m<sup>3</sup>)</i>	<i>(m<sup>3</sup>)</i>	<i>(m<sup>3</sup>)</i>	<i>(m<sup>3</sup>)</i>
Mortar	49,663.3	58,632.7	50,054.1	15,969.9
Ordinary Concrete	2,298,866.7	2,787,813.0	2,406,903.6	763,855.2
High-performance Concrete	5,309,487.4	6,031,601.6	6,680,396.9	1,779,415.6
<b>Total</b>	<b><u>7,658,017.4</u></b>	<b><u>8,878,047.3</u></b>	<b><u>9,137,354.6</u></b>	<b><u>2,559,240.6</u></b>

In 2016, 2017 and 2018 and the four months ended April 30, 2019, the average price (tax-exclusive) per cubic meter of our concrete was RMB310.1, RMB345.6, RMB360.5 and RMB357.3, respectively.

### Polycarboxylic Admixtures

We also produce polycarboxylic admixtures, which are added into the mixture of paste as dispersants so as to reduce the water to cement ratio without negatively affecting the workability of the mixture. As the strength of concrete increases when the water to cement ratio decreases, polycarboxylic admixtures will drastically improve the performance of concrete. During the Track Record Period, the polycarboxylic admixtures we sold to external customers were mainly mother liquor. In 2016, 2017 and 2018 and the four months ended April 30, 2019, we sold 444.8 tonnes, 2,944.0 tonnes, 4,939.3 tonnes and 1,019.0 tonnes of polycarboxylic admixture mother liquor to external customers, respectively.

In 2016, 2017 and 2018 and the four months ended April 30, 2019, the average price (tax-exclusive) of our polycarboxylic admixtures mother liquor was approximately RMB4,552.5 per tonne, RMB6,283.3 per tonne, RMB6,554.1 per tonne and RMB6,267.7 per tonne, respectively.

### Aggregates

In 2016, 2017 and 2018 and the four months ended April 30, 2019, we sold 149,479.1 tonnes, 134,361.7 tonnes, 261,905.5 tonnes and 197,372.8 tonnes of aggregates to external customers, respectively. As of the Latest Practicable Date, our aggregates production lines were leased to an Independent Third Party for production. We also sold the aggregates procured from our suppliers to our customers.

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In 2016, 2017 and 2018 and the four months ended April 30, 2019, the average selling price (excluding transportation costs, tax and other expenses) of our aggregates products (excluding the sale of aggregates procured from our suppliers) was RMB24.0 per tonne, RMB25.2 per tonne, RMB27.0 per tonne and RMB34.3 per tonne respectively.

### Quality and Technology Management Service

Leveraging our strong capability and extensive experience in production and quality management of ready-mixed concrete, since 2018 we have been engaged by other concrete producers to provide concrete-related quality and technology management services to their concrete production. The scope of our services include (i) providing technical guidance and advice with respect to the design and verification of mix proportions of concrete used in construction projects; (ii) formulating concrete construction schemes and instructions, and providing technical trainings in relation to quality control of concrete; (iii) coordinating the quality control of concrete casting; and (iv) coordinating the detector, supervisor and general contractor to enhance the monitoring of concrete in the construction stage. For the year ended December 31, 2018, we provided quality and technology management services for 484,239.2 cubic meters of concrete at the average price of RMB19.6 per cubic meter and generated a revenue of RMB9.5 million. For the four months ended April 30, 2019, we provided quality and technology management services for 378,091.2 cubic meters of concrete at the average price of RMB14.7 per cubic meter and generated a revenue of RMB5.5 million.

### APPLICATION OF OUR CONCRETE

Over the years, we have provided our high-performance concrete to many significant construction projects across Yunnan Province, including among others:

- the Kunming Changshui International Airport (昆明長水國際機場) project, which was a key construction project during the 11th Five-Year Plan period of the State and Yunnan Province. The construction of the project, including one of the three largest terminal buildings in terms of single construction area in the PRC of total GFA 548,300 sq.m. and two runways of 4.5 kilometers and two runways of 4 kilometers required a large amount of high-performance concrete with special workability, strength, durability as well as with better environmentally-friendly characteristics and a service lifespan of more than 100 years. The Kunming Changshui International Airport is located in a mountainous area, about 2,100 meters above sea level, demanding higher quality requirements of concrete products and construction technologies than projects at a lower altitude. For this project, we were involved in the development of functional polycarboxylic admixtures and recycled Dongchuan river sand to produce durable, low shrinkage and ultra-long, large-volume concrete, fair-faced concrete and airport runway concrete with high performance in abrasion resistance, impact resistance and durability. The technological achievements of this project have been awarded the Second and Third Prize of Technology Progress Award of Yunnan Province (雲南省科學技術進步獎二等獎和三等獎);

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We were the only concrete supplier for this project, which is very rare for such a large-scale construction project which used approximately 3.0 million cubic meters of concrete. This project was awarded several awards, including, among others, the Golden Prize for National Quality Engineering Project (國家優質工程金質獎), the China Construction LuBan Award (中國建築工程魯班獎) and the China Civil Engineering Zhan Tianyou Award (中國土木工程詹天佑獎). We also obtained a collective second-class merit (集體二等功) for the project awarded by Yunnan Provincial Government;

- the Shangri-la-Lijiang Highway project, which involved the construction of highways under harsh environmental conditions, such as low temperature, high altitude, large temperature differences between day and night, and low humidity, as well as construction complexity, particularly the construction of a 1,017 metre-long bridge of spanning 766 meters over the Tiger Leaping Gorge. For this project, we carried out experimental research and developed a key technology for durability of structural concrete and produced bridge and culvert concrete with high workability, high volume stability and high durability to adapt to the harsh environmental conditions and construction difficulties of the project, which was recognized by our customers;
- Spring City 66 (昆明恒隆廣場), located in Kunming's central business district, was a mixed-use complex with a total GFA of approximately 433,500 sq.m. The project involves construction of a 300 meter tall office tower, which, upon completion, was the highest building of Kunming, Yunnan Province. We carried out systematic research and development in key technologies for pumping high-performance concrete to ultra heights through optimizing raw materials, mixing proportions and quality controls. As a result, we developed ultra-high pumping high-performance concrete with machine-made sand, which enables us to pump the concrete directly to the top of the building with minimal material loss;
- the Kunming Rail Transit Project (昆明軌道交通工程), a construction project of an urban rail transport system serving Kunming and its surrounding areas. The project involved construction aimed at minimizing disturbance to adjacent buildings at a construction site with complex geological structures, intricate underground pipelines and a deep foundation trench. As such, we developed a new type of green ultra-retardation concrete to control the time for initial setting and final setting so as to solve the difficulties in constructing a fencing structure in a deep foundation trench as well as to enhance the quality of the fencing structure. The technological achievement of this project has been awarded the Second Prize of Technology Progress Award (科學技術進步獎二等獎) by the Government of Yunnan Province and the Second Prize of Scientific and Technological Innovation Achievement of Science and Technology Award of the China Association of Construction Enterprise Management (中國施工企業管理協會科學技術獎科技創新成果二等獎);

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## BUSINESS

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- the Migration and Relocation Project of Zhaotong Suijiang (昭通綏江移民搬遷工程), which involved the construction of the largest migration county subject to overall relocation (in terms of construction site area) in Yunnan Province. The project included the construction of a lake ecological garden city and three new towns with a total planned area of approximately 5.1 square kilometers. During one year of construction, we supplied an aggregate of approximately 1.6 million cubic meters of concrete and achieved a daily production volume of 8,000 cubic meters; and
- the Kunming New South Railway Station (昆明火車新南站) project, which is an important infrastructure construction project under the Belt and Road Initiative with its influence covering Southeast Asia as well as an important transportation hub in the network of road of the construction of “Five Networks” of Yunnan Province. The Kunming New South Railway Station had a total construction area of 334,700 sq.m., including a main station building with a construction area of 120,000 sq.m. It is currently the largest passenger railway transport hub (in terms of construction area) in Southwest China. This project required high-strength, high-durability, environmentally-friendly concrete with a service lifespan of more than 100 years. To meet the specific requirements of this project, we developed a self-compacting high-performance concrete (自密實高性能混凝土) with high workability, durability and outstanding mechanical performance.

## PRODUCTION FACILITIES

### Concrete Production Facilities

Due to the special product nature of ready-mixed concrete, a concrete batching plant generally can cover a reasonable and economic transportation radius of approximately 30 kilometers to ensure timely delivery. Based on the demands of the surrounding market, we have two types of batching plants: regional batching plants that serve certain regional markets, and project batching plants that serve certain projects. Due to the large and stable demand of the surrounding market, we generally construct regional batching plants in suburban areas, such as industrial parks, where we can serve urban construction projects with less disturbance to local residents. For specific projects, we construct project batching plants that are close to construction sites to ensure timely delivery of our concrete and are able to relocate. For instance, for highway construction projects, we normally determine the number of batching plants required based on the total length of the highway to be constructed and distribute our batching plants along the highway construction site after taking into account the construction progress and conditions of the surrounding areas. When choosing the location of our batching plants, we take into account various factors, such as traffic conditions, distance to customers, land cost and disturbance to surrounding residents.

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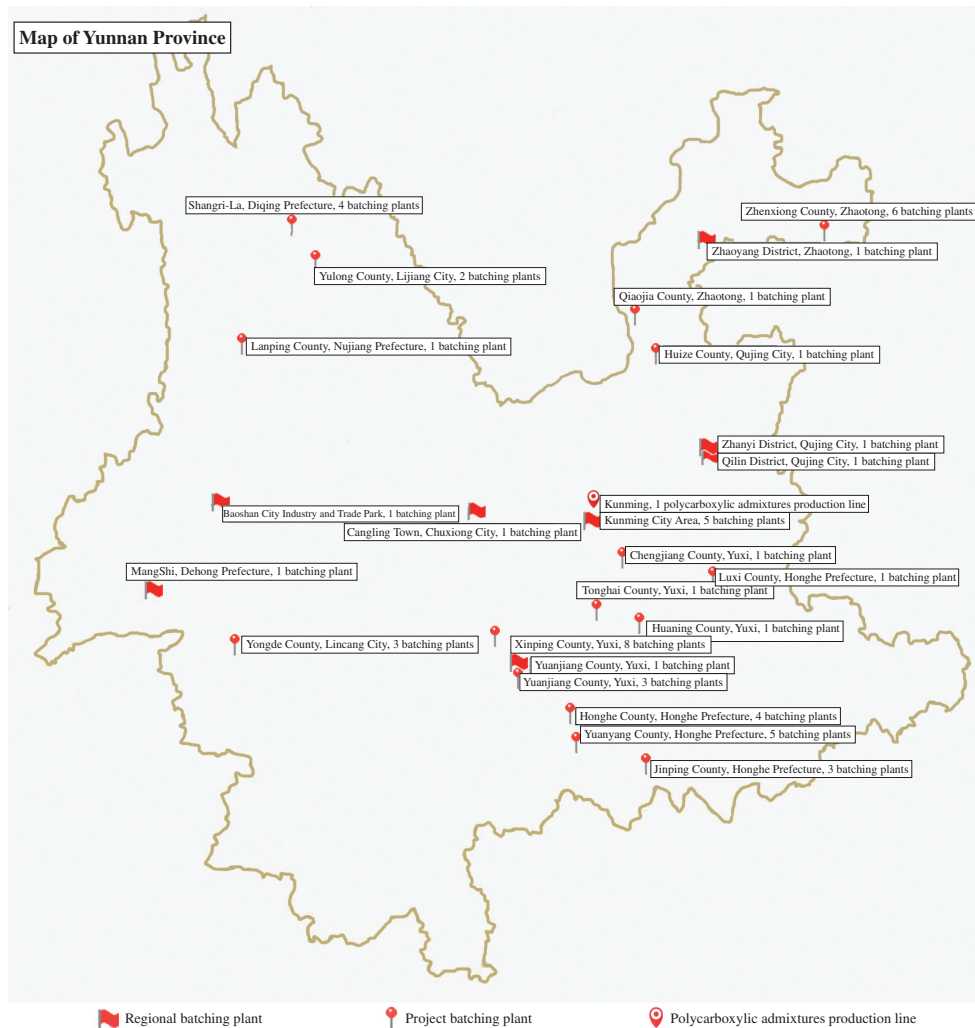
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As of the Latest Practicable Date, we operated 57 concrete batching plants, with 12 batching plants serving regional markets and 45 batching plants designated to serve specific construction projects. The floor areas of the batching plants that we operate normally range from 5,333.3 square meters to 35,933.3 square meters, among which the floor areas of regional batching plants normally range from 8,000 square meters to 31,060 square meters, and the floor areas of project batching plants normally range from 5,333.3 square meters to 35,933.3 square meters. Based on our experience during the Track Record Period, it generally requires an average time of approximately 180 days to construct a regional batching plant and approximately 60 days to dismantle one; while approximately 90 days to construct a project batching plant and approximately 45 days to dismantle one (both construction time excluding the time for acquiring relevant licenses and permits required for production). We believe the time difference on constructing and dismantling a regional batching plant and a project batching plant is primarily attributable to constructing and dismantling permanent structures on the site.

As of the Latest Practicable Date, all of our batching plants were located in Yunnan Province. For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, the production capacity of our batching plants was approximately 12.4 million cubic meters, 19.7 million cubic meters, 21.3 million cubic meters and 7.6 million cubic meters, respectively, and the average utilization rate of our concrete batching plants was approximately 61.9%, 45.1%, 43.0% and 33.7%, respectively. The utilization rate is calculated by dividing the volume of concrete produced in that year or period by the designed production capacity for the same year or period. During the first quarter (the Chinese New Year period), our utilization rate is generally lower than other months of the year. For a more detailed discussion of the effects of seasonality on our business, please refer to “– Seasonality”.

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The map below indicates the location of our regional batching plants and our project batching plants as of the Latest Practicable Date:



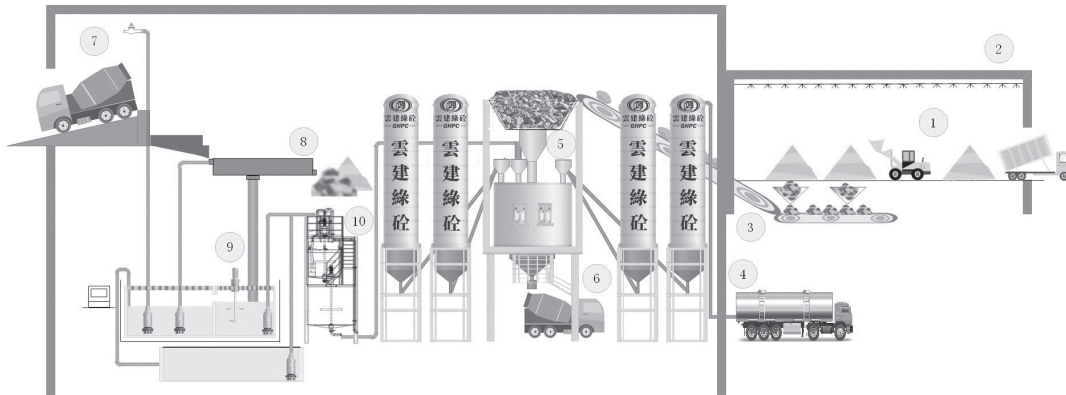
Our concrete production line consists of five main parts: a material storage system, a material conveying system, a material weighing system, a main mixer and a control system. Most of our concrete batching plants have two or more production lines. The construction costs of batching plants usually include the costs for land leases, equipment and ancillary facilities. As of the Latest Practicable Date, we operated 97 concrete production lines, of which 48 lines were self-owned and the rest were rented from third parties. Our transportation facilities include concrete mixer trucks, and our conveying facilities include concrete pump trucks. As of the Latest Practicable Date, we owned 158 concrete mixer trucks, two concrete pump trucks and 413 sets of various production and testing equipment.

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The flow chart below illustrates the main facilities of our concrete batching plants and the main production process of our concrete:



*Notes:*

1. Aggregates are transported into the production site.
2. Dust suppression spraying system of stock ground.
3. Aggregates conveyance system.
4. Powder conveyance.
5. Measuring and mixing.
6. Discharging finished products.
7. Rinsing the tank on concrete mix trucks.
8. Sand and gravel separator, which separates sand and gravel from waste seriflux.
9. Waste seriflux mixing pool, to stir the recycled waste seriflux.
10. Waste seriflux mixing station, to detect the concentration of the waste seriflux, configured for waste seriflux in needed concentrations and conveyed into the batching plant for recycling.

### **Polycarboxylic Admixtures Production Facilities**

Our main polycarboxylic admixtures production facility includes one self-owned polymerization production line. The polymerization production line uses a chemical reaction of polymerization to produce polycarboxylic admixture mother liquor. The chemical reaction generally takes eight hours to produce a batch of products. The mother liquor is then mixed with admixtures of specific functions in a compounding process according to different construction requirements, such as requirements on solidifying time or pouring method. Only after the compounding process, the admixtures are able to be added into the paste during the concrete production process to enhance the performance of the concrete. In addition to producing mother liquor for internal use, we sell part of the mother liquor produced by our polymerization production line to external customers. We also own other ancillary equipment, such as a polymerization and dissolution kettle, a steam boiler, a screw air machine and an adsorption drier.

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The table below sets forth details of our polycarboxylic admixtures production facilities as of the Latest Practicable Date:

<u>Type of Production Line</u>	<u>Number of Production Line</u>	<u>Location</u>	<u>Gross Floor Area</u> <i>(m<sup>2</sup>)</i>	<u>Time of Commencing Production</u>
Polymerization Production Line	1	Kunming, Yunnan Province	4,409.3	November 17, 2014

### Aggregates Production Facilities

As of the Latest Practicable Date, the aggregates production facilities that we own include two self-owned production lines and various self-owned production equipment, including two drilling machines, three excavators, two loading machines, six dump trucks and two crushing ancillary facilities.

### Production Capacity

The table below sets forth the number of production lines for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively, production capacity and production volume for the periods indicated, and the utilization rate by product categories.

	<u>Year ended December 31,</u>			<u>Four months ended April 30,</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
<b><i>Ready-mixed Concrete</i></b>				
Number of Batching Plants as of the End of Period	40	53	59	59
Production Capacity for the Period <sup>Note 1</sup> (in thousand cubic meters)	12,376.0	19,677.0	21,266.0	7,588.0
Production Volume for the Period (in thousand cubic meters)	7,658.0	8,878.0	9,137.4	2,559.2
Utilization Rate <sup>Notes 2 and 3</sup> (%)	61.9	45.1	43.0	33.7



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	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<b><i>Polycarboxylic Admixtures</i></b>			
<b><i>Mother Liquor</i></b>				
Number of Production Lines as of the End of Period	1	1	1	1
Production Capacity for the Period <sup>Note 4</sup> (in thousand tonnes)	18.8	18.8	18.8	6.3
Production Volume (in thousand tonnes)	9.0	11.9	12.6	3.6
Utilization Rate <sup>Note 2</sup> (%)	47.9	63.3	67.0	57.7
<b><i>Aggregates</i></b>				
Number of Production Lines as of the End of Period <sup>Note 5</sup>	4	4	2	–
Production Capacity for the Period (in thousand tonnes) <sup>Note 6</sup>	1,400.0	1,400.0	733.4	100.0 <sup>Note 7</sup>
Production Volume (in thousand tonnes)	1,190.3	1,305.5	692.8	11.9 <sup>Note 7</sup>
Utilization Rate <sup>Note 2</sup> (%)	85.0	93.3	94.5	11.9 <sup>Note 7</sup>

*Notes:*

1. The annual production capacity per ready-mixed concrete production is calculated as the production volume per load of the production line multiply the loads to be produced per hour and for 14 hours a day and 250 days a year. The production capacity per ready-mixed concrete production for the four months ended April 30, 2019 is calculated as one third of the annual production capacity of the batching plants in operation during the period. The loads to be produced per hour is calculated based on the estimated production time (on the basis of actual production experience)(i.e. 150 seconds) for the whole production process. The production capacity of the production lines which were newly constructed during the year and could not produce for a whole year is calculated as its average monthly production capacity multiply the months it operated in that year.
  
2. Utilization rate is calculated as the production volume for the period indicated compared to the production capacity for the period.
  
3. Most of our new batching plants in 2017 and 2018 were project batching plants. For safety reasons, the customers (i.e. constructors) for the open field projects (such as highways construction projects) usually could not carry out construction operations at night, and thus our project batching plants could not perform production operation at night either (which means these batching plants could not operate for the assumed 14 hours a day). As a result, our capacity utilization rate decreased in 2017 and 2018. As affected by the Chinese New Year, our utilization rate for the four months ended April 30, 2019 was generally lower than 2017 and 2018.

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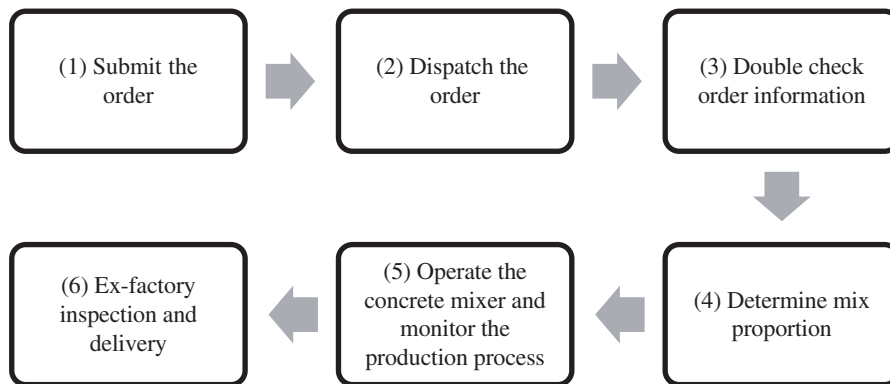
4. The annual production capacity of the polymerization production lines is the conservative estimation of 75 tonnes per day assuming operating 250 days a year. The production capacity of the polymerization production lines for the four months ended April 30, 2019 is calculated as one third of the annual production capacity of the production facilities in operation during the period.
5. In March 2018, the lease for one of the aggregates production lines expired, and we did not renew the lease due to environmental concerns. Additionally, one of our self-owned aggregates production lines suspended production and was not included in our production lines in 2018. As a result, the number of our aggregates production lines decreased from four lines in 2017 to two lines in 2018, and our production capacity consequently decreased from 1.4 million tonnes to 0.7 million tonnes.  
  
As of the Latest Practicable Date, our aggregates production lines were leased to an Independent Third Party for production.
6. The annual production capacity of the aggregates production lines is calculated as production capacity for each production line multiplied by eight hours a day and 250 days a year.
7. For the period from January 1, 2019 to February 1, 2019, before the production lines were leased to the Independent Third Party.

### PRODUCTION PROCESS

#### Concrete Production Process

Concrete is a semi-finished product, and we commence our production upon receipt of our customers' orders.

The diagram below illustrates our main concrete production process.



There are six key stages in our standard production process of concrete:

- (1) Submit the order: generally, construction units of our customer collect concrete casting plans from their subordinate construction sections, and submit concrete demand plans of the following day to the chief dispatchers of our branches by 18:00 everyday;
- (2) Dispatch the order: upon receipt of the order, our chief dispatchers submit production plans to the chief person on duty of a batching plant, relevant technology department, facility department and material department by 19:00 on that day, so as to ensure the production can be carried out smoothly;

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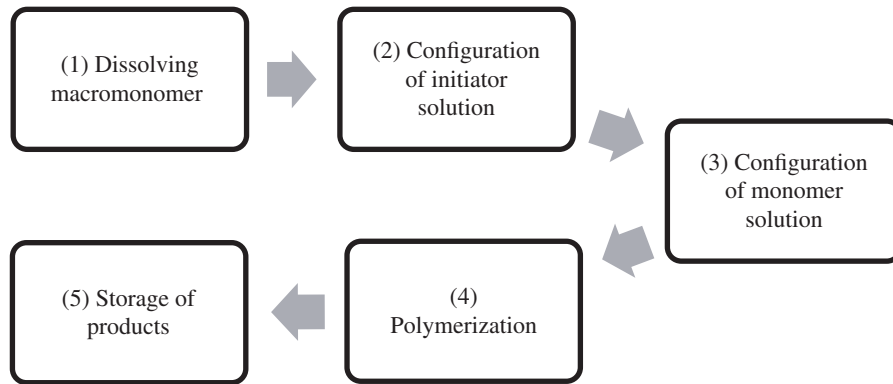
- (3) Double check order information: upon receipt of the manufacturing plan sheet issued by the chief dispatcher, the chief person on duty is responsible for confirming and verifying project information and establishing a task sheet correctly;
- (4) Determine the mix proportions: batching plant laboratory technicians are responsible for issuing the production commencement record and checking the mix proportions with operators after inputting the mix proportions into the database. The operators will sign off upon verification;
- (5) Operate the concrete mixer and monitor the production process: operators follow the mixing protocol and operate concrete mixers carefully, monitor and control the measured batch charge and the mixing time of raw materials to ensure the procedure parameters are saved automatically, and that the measurement errors are within a predetermined range; and
- (6) Ex-factory inspection and delivery: before delivery of the concrete, subsidiaries are required to arrange inspectors to examine the workability of the mixture and fill out the qualification certificate for ready-mixed concrete so as to ensure the finished product satisfies the construction quality requirements. The concrete is then ready to be delivered to customers. We are responsible for transporting concrete to the construction sites of the customers and delivering relevant technical materials of the concrete to be poured. Such process takes no more than three hours. We use our own transportation facilities (concrete mixer truck), and will also engage third-party transportation companies in providing the concrete transportation services.

We provide our support service to our customers in relation to casting and maintenance during the 28 days of the strength verification period, as well as follow-up services during future maintenance.

When a customer orders a new type of concrete with special performance attributes, our central laboratory will design the product and formulate a production plan according to the relevant technical, functional and performance requirements of the product following the relevant rules and standards. Mixing proportions are also specially designed based on relevant national and industrial standards, and normally finalized after repeated experiments and adjustments.

**Polycarboxylic Admixtures Production Process**

The diagram below illustrates our main polycarboxylic admixtures production process.

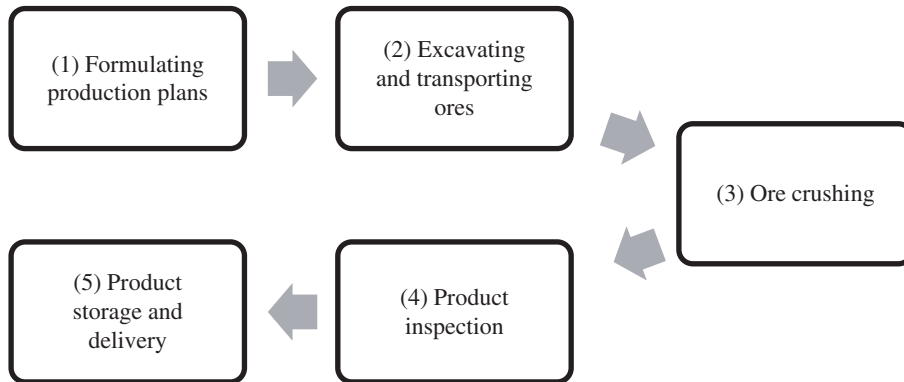


There are five key stages in our standard production process of polycarboxylic admixtures:

- (1) Dissolving the macromonomer: use the ton bag hoister to lift the HPEG tablet to designated spots, turn on the feed screw and add the tablet into the dissolution kettle (MIX300) and then add in water to configure the 60% water solution. Turn on the mixing valve and the steam valve and, after water temperature rises to 65°C, continue stirring for 30 more minutes;
- (2) Configuration of the initiator solution: add Vitamin C and mercaptopropionic acid into the initiator kettle (CAT212), then add in industrial water and stir evenly;
- (3) Configuration of monomer solution: use the vacuum pump to pump the acrylic acid into the blender kettle, then add in water and stir for 10 minutes;
- (4) Polymerization: pump the configured macromonomer solution into the reaction kettle (R210); keeping the temperature at 60 to 65°C, add hydrogen peroxide into the reaction kettle and stir for 10 minutes. Next, pour the configured initiator solution from the initiator kettle (CAT212) into the reaction kettle (R210) under certain flow rate. After 15 minutes, pour the configured monomer solution from the monomer kettle (MIX211) into the reaction kettle (R210). During the polymerization, keep the temperature at 70 to 85°C. After four hours the dropwise add of the initiator solution and the monomer solution completes, then wash the monomer kettle (MIX211) and pour the used water into the reaction kettle (R210). Keep the temperature of the reaction kettle under 85°C for 1.5 hours and cool down to 45°C; and
- (5) Storage of products: Upon completion of the production, put the products that have passed inspector's inspection into the finished product tin.

### **Aggregates Production Process**

The diagram below illustrates our main aggregates production process:



There are five key stages in our standard production process of aggregates:

- (1) **Formulating production plans:** based on customer’s orders or sales contracts as well as taking into account our production capacities, our production department formulates seasonal and monthly production plans. Based on such plans, the production department prepares the production guidance which includes production craft, design drawing, inspection criteria, applicable measuring tools and equipment management requirements;
- (2) **Excavating and transporting ores:** selecting raw ores is the very first step to control the quality of our products. Before excavating, our excavator drivers estimate the granularity and slit content of ores to choose relatively clean ones and those at suitable granularities to excavate. After excavation, ores are transported using mine cars, which are inspected beforehand to ensure that all dusts and sundries are cleaned up before ore transport;
- (3) **Ore crushing:** before crushing, our technical staff inspects the facilities, prepares a matching screen cloth and debugs the crusher. In particular, mud screens are used to separate mud from ores, and then primary screens and tailing screens are used respectively so as to ensure that the size of our products meet our technical requirements. Otherwise, the aggregates will be reprocessed automatically;
- (4) **Product inspection:** to ensure the product quality meets the specified requirements, we set inspection posts along the main conveyors, which are designated to clean up the dust and sundries in a timely manner. The products of a different order are loaded in separate mine cars, so that products of different sizes and/or categories are not be mixed in; and
- (5) **Product storage and delivery:** after approval by responsible personnel, the products are released and delivered to the customers at a designated time.

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### **Production Management System**

We have adopted the self-developed ERP production management system which is applicable to our concrete production and transportation process.

During the production process, the proportion of raw materials will be calculated, weighed and uploaded to a cloud database through the ERP system. Statistics relating to the production process, quality management and technical standards are collected, saved and managed during the production process, and then provided to relevant departments for their use, so as to meet the business departments' need for production management. Should there be any abnormal data concerning the material feeding, the alarm system will notify relevant departments by email. We also check the location, arrival time, unloading time and return time of our concrete mixer trucks through the ERP system, which enables us to monitor the concrete transportation and conveying process.

### **BACKLOG AND NEW CONTRACT VALUE**

#### **Backlog**

Backlog represents our estimate of the contract value of products or services that remain to be completed as of a certain date. The contract value of a project represents the amount that we expect to receive under the terms of the contract, assuming that the contract is performed in accordance with its terms. Backlog is not a measure defined by generally accepted accounting principles.

Our backlog for ready-mixed concrete, as of December 31, 2016, 2017 and 2018 and April 30, 2019 were RMB2,127.8 million, RMB2,668.4 million, RMB2,625.6 million and RMB2,585.3 million, respectively, among which the backlog attributable to YCIH Group amounted to RMB1,900.1 million, RMB2,336.6 million, RMB1,906.5 million and RMB1,681.2 million, respectively; and the backlog attributable to Independent Third Parties amounted to RMB227.7 million, RMB331.8 million, RMB719.1 million and RMB904.1 million, respectively.

Delivery of our ready-mixed concrete significantly relies on the progress of our customers' projects. As such, we cannot assure you that the backlog of the sales of ready-mixed concrete will eventually be recognized as revenue according to our expected progress.

During the Track Record Period, we did not experience any incident where a material part of the contract amounts reported in our backlog failed to be turned into actual revenue and profits. However, there is no assurance that the projected revenue amounts reported in our backlog will not decline, or will eventually be recognized as actual revenue or translate into profits.

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### New Contract Value

New contract value represents the aggregate value of contracts that we entered into during a specified period. The value of a contract is the amount that we expect to receive under the terms of the contract if the contract is performed in accordance with its terms.

Our new contract value (tax-exclusive) of ready-mixed concrete in 2016, 2017 and 2018 and the four months ended April 30, 2019 was RMB3,527.2 million, RMB3,800.5 million, RMB3,456.0 million and RMB993.1 million, respectively.

### RESEARCH AND DEVELOPMENT

According to the CIC Report, we are the market leader in the ready-mixed concrete industry in the PRC, and are also one of the top ten (in the sixth place) ready-mixed concrete producers in China in terms of the production volume in 2018. We believe that our strong research and development capabilities are integral to our leading market position as well as the key to our sustainable development and maintaining our market position.

Over the years, we have focused on concrete production technologies and have accumulated extensive research and development experience. As of the Latest Practicable Date, we had three provincial-level research and development platforms: the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站). We had established school-enterprise cooperation with schools and institutes including the Materials Science and Engineering Institute of Xi'an University of Architecture and Technology (西安建築科技大學材料科學與工程學院), the Architectural Engineering Institute of Kunming University of Science and Technology (昆明理工大學建築工程學院), the Yunnan Academy of Building Research (雲南省建築科學研究院) and the Jianyan Building Material Co., Ltd. (建研建材有限公司) (formerly known as the Institute of Building Materials of China Academy of Building Research (中國建築科學研究院建築材料研究所)). Under our cooperation agreements, typically we provide facilities and some research personnel, and the counterparty provides us with necessary information and consultation in the concrete industry and related fields. The intellectual property rights are either jointly owned by both parties or are individually owned by either party, depending on whether the research is conducted jointly or independently. We, as the investor, can derive revenue and profits from the sales of such research outputs, and the government's awards and benefits from third-party promotions are allocated between such school/institute and us in a proportion determined upon negotiation. Up to April 30, 2019, we had undertaken over 20 science and technology projects at provincial or municipal level. As of the Latest Practicable Date, we had obtained seven invention patents, 32 utility model patents, and two software copyrights, and received awards and recognitions such as "Technology Progress Award (科學技術進步獎)" awarded by the Government of Yunnan Province, "Second Prize of Scientific and Technological Innovation Achievement of Science and Technology Award of China Association of Construction Enterprise Management (中國施工企業管理協會科學技術獎科技創新成果二等獎)" and "China's Top Ten Ready-mixed Concrete Enterprise (中國預拌混凝土企業十強)".

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In particular, we focus on development of high-performance concrete, we and/or our employees have developed or participated in development of a series of technologies as set out below:

- the technology for pumping large-volume concrete to ultra high locations over and ultra long distances (大體量超高超長距離泵送混凝土技術);
- the technology of proportioning high-performance concrete with functional polycarboxylic acid compound admixture (功能型聚羧酸複合外加劑配製高性能混凝土技術);
- the technology of proportioning concrete with Dongchuan river sand for resource utilization and disaster reduction (減災性資源化利用東川河砂配製混凝土技術);
- the technology of proportioning green high-performance concrete (綠色高性能混凝土的配製技術);
- the technology of proportioning and producing high strength concrete of 100MPa compressive strength with machine-made sand (配製及生產抗壓強度為100MPa的機製砂高強混凝土技術);
- the technology of proportioning energy-saving ultralight ceramsite foam concrete (節能超輕陶粒泡沫混凝土配製技術);
- the technology of proportioning and application of super retarded concrete (超緩凝混凝土的配製及應用技術);
- the technology of proportioning metakaolin concrete (偏高嶺土混凝土配製技術);
- the key technology of proportioning cement concrete with construction waste and aggregates chips (建材廢棄物石屑制備水泥混凝土關鍵技術); and
- the technology of proportioning and application of high-performance concrete (高性能混凝土配製及應用技術).



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We and/or our employees took the lead or participated in the formulation of six national standards, seven industry standards, one association standard, and six provincial standards for the concrete industry as of the Latest Practicable Date. The table below sets forth the major industry standards that we and/or our employees have participated in:

<u>Type</u>	<u>Name</u>	<u>Code</u>	<u>Publication Year</u>	<u>Chief Editor</u>
National Standards	Standard for Test Methods of Long-Term Performance and Durability of Ordinary Concrete (普通混凝土 長期性能和耐久性能試 驗方法標準)	GB/T 50082- 2009	2009	China Academy of Building Research ("CABR")
	Standard for Evaluation of Concrete Compressive Strength (混凝土強度檢驗評定標 準)	GB/T 50107- 2010	2010	CABR
	Technical Code for Prevention of Alkali- Aggregates Reaction in Concrete (預防混凝土 鹼骨料反應技術規範)	GB/T 50733- 2011	2011	CABR/Zhejiang Shunjiang Construction Group Co., Ltd. (浙江舜江建設 集團有限公司)
	Standard for Quality Control of Concrete (混凝土質量控制標準)	GB 50164- 2011	2011	CABR/Beijing Zhongguancun Development and Construction Co., Ltd (北京 中關村開發建設 股份有限公司)
	Ready-Mixed Concrete (預拌混凝土)	GB/T 14902- 2012	2012	CABR
	Technical Code for Application of Mineral Additives (礦物摻合料 應用技術規範)	GB/T 51003- 2014	2014	CABR

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<b>Type</b>	<b>Name</b>	<b>Code</b>	<b>Publication</b>	
			<b>Year</b>	<b>Chief Editor</b>
Industry Standards	Standard of Water for Concrete (混凝土用水標準)	JGJ 63-2006	2006	CABR
	Standard for Inspection and Assessment of Concrete Durability (混凝土耐久性檢驗評定標準)	JGJ/T 193-2009	2009	CABR/Zhongshe Construction Group (中設建工集團有限公司)
	Specification for Mix Proportion Design of Ordinary Concrete (普通混凝土配合比設計規程)	JGJ 55-2011	2011	CABR
	Granulated Electric Furnace Phosphorous Slag Powder Used for Concrete (混凝土用粒化電爐磷渣粉)	JG/T 317-2011	2011	CABR/China Construction Second Engineering Bureau Ltd. (中國建築第二工程局有限公司)
	Natural Pozzolanic Materials Used for Cement Mortar and Concrete (水泥砂漿和混凝土用天然火山灰質材料)	JG/T 315-2011	2011	CABR
	Technical Specification for Application of High Strength Concrete(高強混凝土應用技術規程)	JGJ/T 281-2012	2012	CABR/Zhejiang Dadongwu Construction Co., Ltd. (浙江大東吳集團建設有限公司)
	Technical Specification for Application of Phosphorous Slag Powder Concrete (磷渣混凝土應用技術規程)	JGJ/T 308-2013	2013	Yunnan Academy of Building Research (“YABR”)/ the Fifth Construction Company Limited of YCIH (雲南建投第五建設有限公司)

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<u>Type</u>	<u>Name</u>	<u>Code</u>	<u>Publication Year</u>	<u>Chief Editor</u>
Association Standards	Technical Specification for Wall Thermal Insulation System with Thermal Insulating Thick Putty (厚層膩子 牆體隔熱保溫系統應用 技術規程)	CECS 346-2013	2013	Science and Technology Development Promotion Center of the Ministry of Housing and Urban-Rural Development/ Jiangsu Saishang Low-carbon Technology Co., Ltd. (江蘇 塞尚低碳科技有 限公司)
Provincial Standards	Technical Specification for Application of Dongchuan Sand in Concrete (東川河砂配 製混凝土及應用技術規 程)	DBJ53/ T-42-2011	2011	YNJG/YNJG Concrete
	Technical Specification for Application of Limestone Chippings in Concrete (石屑在混凝 土中的應用技術規程)	DBJ53/ T-75-2015	2015	YABR/YNJG
	Technical Specifications for Application of Ultra-retardation Concrete (超緩凝混凝 土配製及應用技術規程)	DBJ53/ T-79-2016	2016	YCIH/YCIH Polymer Material Co., Ltd.
	Technical Specification for Mix Proportion Designated Production of Masonry Mortar (砌 築砂漿配製技術規程)	DBJ53/ T-3-2016	2016	YABR
	Technical Specification for Mix Proportion Design and Production of Ordinary Concrete (普通混凝土配製技術規 程)	DBJ53/ T-2-2016	2016	YABR

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Type	Name	Code	Publication Year	Chief Editor
	Metakaolin for Concrete Production (混凝土用偏 高嶺土)	DB53/T 843- 2017	2017	the Company/ Yunnan Institute of Building Materials Scientific Research and Design (雲南省 建築材料科學研 究設計院)

We carry out our major research and development work through three provincial-level research and development platforms, namely the Yunnan High-Performance Concrete Engineering Research Center (雲南省高性能混凝土工程研究中心), the Industrial (Ready-mixed Concrete) Products Quality Control and Technology Evaluation Laboratory of Yunnan Province (雲南省工業(預拌混凝土)產品質量控制和技術評價實驗室) and the Academician Xu Delong Workstation (徐德龍院士工作站). These platforms perform the functions of technology development, testing and experimentation and engineering application. As of the Latest Practicable Date, we employed 47 employees in our research and development departments, among which one had doctoral degree, nine had master's degrees, 37 had bachelor's degrees, two were qualified principal senior engineers, seven were qualified senior engineers, 32 were qualified engineers and six were qualified assistant engineers.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our research and development expenses were RMB50.7 million, RMB99.8 million, RMB105.6 million and RMB29.7 million, respectively, which mainly included salaries of our employees, raw materials costs and depreciation and amortization expenses.

### ENVIRONMENTAL MATTERS

#### Overview

We take environmental protection seriously and consider our products to be green high-performance concrete which is produced in an environmentally-friendly manner. We leverage our strong capability in research and development and developed a series of technologies to recycle industrial waste during our production and promote a green production process. We have also established and implemented a series of internal control measures to identify, assess and address environmental related risks to ensure our compliance with relevant environmental protection laws and regulations in the PRC as well as our social responsibilities.

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### Our Green Production

During the Track Record Period and up to the Latest Practicable Date, we had made efforts in producing our products in an environmentally-friendly manner. As of the Latest Practicable Date, the products of five of our batching plants were accredited with “three-star” rating and two were accredited with “two-star” rating in the Green Building Materials Star Rating carried out by China Academy of Building Research and Yunnan Academy of Building Research, respectively. During the production process, we aim to reduce the use of energy and resources and reduce emissions. To make our products and production process environmentally friendly, we make use of our strong research and development capabilities and have developed a series of technologies, such as the technology of proportioning concrete with Dongchuan river sand for resource utilization and disaster alleviation (減災性資源化利用東川河砂配置混凝土技術), the technology of proportioning green high-performance concrete (綠色高性能混凝土的配置技術), the technology of proportioning metakaolin concrete (偏高嶺土混凝土配置技術), the technology of proportioning energy-saving ultralight ceramsite foam concrete (節能超輕陶粒泡沫混凝土配製技術) and the key technology of proportioning cement concrete with construction waste and aggregates chips (建材廢棄物石屑制備水泥混凝土關鍵技術). For more details of our green technologies, please refer to “– Research and Development”.

### Industrial Waste Recycling

During our production process, we utilize industrial waste such as coal ash, GGBFS and compound mineral additives, as additives of our green high-performance concrete. The use of industrial waste enhances the performance of our concrete as well as reduces the use of cement, conserves energy and reduces carbon emission. During the Track Record Period, we had recycled and reused approximately 1.9 million tonnes of industrial waste.

The table below sets forth the breakdown of our reused industrial waste for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<i>(in thousand tonnes)</i>	<i>(in thousand tonnes)</i>	<i>(in thousand tonnes)</i>	<i>(in thousand tonnes)</i>
Slag Powder	219.7	267.8	333.3	122.1
Coal Ash	208.9	195.6	265.8	83.0
Compound Mineral Additives	53.4	52.3	80.2	18.4
<b>Total</b>	<b>482.0</b>	<b>515.7</b>	<b>679.3</b>	<b>223.5</b>

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The table below sets forth a breakdown of the average industrial waste used in each cubic meter of C30 concrete (which has the largest production volume amongst all of our concrete) for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<i>(kg)</i>	<i>(kg)</i>	<i>(kg)</i>	<i>(kg)</i>
Coal Ash	49.1	32.9	42.8	47.3
Slag Powder	57.0	60.4	56.0	50.0
Compound Mineral Additives	8.8	14.1	9.7	6.4
<b>Total Weight of Industrial Waste as Admixtures</b>	<b>114.9</b>	<b>107.4</b>	<b>108.5</b>	<b>103.7</b>
Cement	247.2	256.7	256.8	262.9
<b>Total Weight of Binding Materials<sup>Note 2</sup></b>	<b>362.1</b>	<b>364.1</b>	<b>365.3</b>	<b>366.7</b>
<b>Proportion of Industrial Waste in Binding Materials</b>	<b>31.7%</b>	<b>29.5%</b>	<b>29.7%</b>	<b>28.3%</b>

*Notes:*

1. Calculated based on the average guided mix proportions of the industrial waste indicated in the production of C30 of the year indicated.
2. Includes cement, slag powder, coal ash and compound mineral additives.

### ***Environmental Protection Initiatives in Daily Operations***

We have also adopted a series of environmental protection initiatives in our daily operations to reduce resource consumption, including but not limited to recycling water for reuse to reduce water consumption, establishing the electronic office system and advocating paper-saving approach to cut down paper consumption, analyzing fuel consumption of mixer trucks every month and upgrading mixer trucks with high fuel consumption rate to minimize fuel waste.

### **Our Governance around Environment-related Risks**

#### *Environment-related Risks and Impact*

Our operation is subject to various environment-related risks, including, among others, (i) regulatory risk; (ii) litigation risk; and (iii) continuous compliance risk.

#### *Regulatory Risk*

We are subject to various environmental protection laws and regulations in the PRC. Any non-compliance with these laws and regulations may impose environment-related risks on our business operations and financial performance.

According to the Environmental Protection Law (《中華人民共和國環境保護法》) and other relevant laws and regulations, companies that discharge contaminants must report and register with relevant environmental protection authorities. Companies discharging contaminants in excess of the discharge limits prescribed by the central or local authorities must pay effluent fee for the excess in accordance with applicable regulations, and are also responsible for the treatment of the excess discharge. Government authorities can impose different penalties on individuals or entities in violation of the Environmental Protection Law (《中華人民共和國環境保護法》), depending on the individual circumstances of each case and the extent of contamination. Such penalties include warnings, fines, impositions of deadlines for remedying the contamination, orders to stop production or use, orders to re-install contamination prevention and treatment facilities which have been removed without permission or left unused, administration actions against relevant responsible persons or orders to close down those entities. Depending on the specific facts and circumstances of the violation, the maximum fine imposed can reach RMB1 million. In addition to fines, production facilities may be ordered to suspend production for rectification and additional cost may be incurred. Any downtime of the production facilities would also affect our business operation and financial performance. As advised by our PRC Legal Advisers, during the Track Record Period and up to the Latest Practicable Date, we had not been subject to any material fines or penalties arising from violation of environmental protection laws and had not been ordered to suspend our production for rectification. Nevertheless, we will continue to monitor our production and operation from environmental protection perspective in order to ensure compliance with the relevant environmental protection laws and regulations.

#### *Litigation Risk*

We may be subject to risks arising from any environment-related claims or litigations. Where environmental damage has been caused, we, if responsible for any damage, may be required to pay damages to the victims of the contamination. Even though we try to choose locations of our batching plants carefully to mitigate the impact on the surrounding areas and nearby residents, our batching plants may be set up at relatively populated areas with reference to the needs of certain projects. While we endeavor to ensure the compliance of our production process with a variety of environment-related regulatory requirements, claims may arise from

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time to time alleging damage for any impact on surrounding environment caused by the production of our batching plants. Any such claims, regardless of whether they are successful, could incur litigation costs for us, harm our business reputation and disrupt our operations. If any such claims are successful, we may be required to pay substantial damages, which could adversely affect our business, operating results and financial condition. Our Directors confirm that we did not incur any such environmental damages, and that we did not incur litigation costs on material environmental damages during the Track Record Period and up to the Latest Practicable Date.

### *Continuous Compliance Risks*

The environmental protection laws and regulations in China are evolving. If there is any update in the environmental laws and regulations, we may incur capital expenditures to comply with environmental protection laws and regulations, including the costs of installing, replacing or upgrading our equipment related to pollution control and the costs of operational changes to limit any adverse impact of our operations on the environment. During the Track Record Period, we incurred expenses in upgrading the facilities in response to new environmental requirements. In the event that the standards of environmental protection get higher, such expenses may increase significantly.

Furthermore, our customers may also be subject to strict environmental protection scrutiny. Any non-compliance of the ever evolving environmental laws or regulations by our customers could result in the suspension or even termination of their construction projects, which in turn would affect their demand for concrete. In that case, our sales of concrete could be affected. During the Track Record Period and up to the Latest Practicable Date, to the best knowledge of our Directors, our sales of concrete had not been significantly affected by the suspension or termination of the construction projects of our customers due to non-compliance with environmental protection laws and regulations.

We have been and will continue to monitor our environment-related risks. In particular, we have applied technology of green production in our production process, installed monitors in our production facilities to monitor noise and dust emission, recycled water suriflux and recycled and reused solid waste. Furthermore, according to an environmental inspection report in March 2019, it is confirmed that for the three years ended December 31, 2018, the Company is generally able to comply with environment-related laws; and our Directors confirm that we have complied with the major aspects of environment-related laws during the Track Record Period. Going forward, as we have already had an internal environment-related risks control system in place, the Directors do not expect that such risks will impose material burden, operationally or financially, on our business development in the near future.



***Internal Environment-related Risks Control System***

We have an environment-related risks control system. The safety, health and environmental supervision department of our Group is responsible for formulating our environmental protection system and environmental management targets, as well as instructing, supervising and assessing the environment-related risk management and control work. The Board of Directors formulates our overall development strategy of green development and our general manager formulates the implementation plan to achieve the green development, sets overall goals of environmental protection and supervises the execution of our green development plan. We also designate a deputy general manager to supervise the environment-related risk management and control, who delivers a work report which discusses work objectives and plans regarding the environmental protection matters. Since 2017, members of our senior management will, on a monthly rotation basis, spend at least 5 days to conduct inspections in four to seven production sites randomly chosen to spot and settle problems occurred in environment protection and safety management. As of the Latest Practicable Date, our safety, health and environmental supervision department has a total of six employees. We have implemented a series of internal policies in relation to environment-related risks management, including among others, the Management Measures for Sewage, the Dust and Noise Control of the Company (《污水、揚塵和噪聲控制管理辦法》), the Management Measures for Solid Waste (《固體廢棄物管理辦法》), the Management Measures for Energy Conservation and Resource Control (《節約能源、資源控制管理辦法》) and the Safety Management Evaluation Manual (《安全管理評價冊》) (the “**Manual**”).

During the Track Record Period, we had a group of staff who worked on the environment-related risks control system. The number of our employees working on environment-related risks control were 99, 120, 150 and 159, respectively, as of December 31, 2016, 2017, 2018 and April 30, 2019. They are managers, deputy managers, safety officers and chief shift managers for the purpose of ensuring that the Group’s environmental governance policies are effectively implemented at every aspect of our production and operation. We believe that our expanding group of staff working on environment-related risks control system enables us to better cope with the evolving environmental protection standards and regulatory requirements.

***Identification and Assessment of Environment-related Risks***

We have set specific criteria in the Manual, methods and processes for identifying and assessing environmental factors, and conduct the assessments of environment-related risks both internally and externally.

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In terms of internal assessments, we require each branch and subsidiary to conduct self-inspection of environmental-related risks every month, to take rectification measures on the detected risks, to keep monthly inspection records and to report to the safety, health and environmental protection department. In the meantime, the safety, health and environmental protection department also supervises and inspects these risks. For those branches and subsidiaries with potential risks, the safety, health and environmental protection department will issue a notice of rectification, and the relevant branch or subsidiary shall rectify timely in accordance with the notice and report to the department. The department will conduct monthly and annual evaluation of our branches and subsidiaries.

In terms of external assessments, during the Track Record Period, we engaged third-party environmental monitoring agencies every year to evaluate the environment-related risks in our batching plants and issue environmental monitoring reports thereof. In addition, we also engaged a third-party environmental inspection agency to evaluate our performance in environmental protection in March 2019 from various aspects, such as the implementation of our environmental governance policies, the adequacy of the environment-related permits we held and our environment-related administrative penalty records. In its inspection report, the third party agency confirmed that we are generally able to comply with environment-related laws and regulations for the years ended December 31, 2016, 2017 and 2018.

### *Management of Environment-related Risks*

We periodically monitor our pollutant emissions to ensure compliance with the national or local standards (as applicable), or in case of waste seriflux, more stringent standards formulated from time to time. The table below sets forth the applicable national or local standards, the standard we adopt and our management of environment-related risks and performance during the Track Record Period:

Applicable National/ Local Standard	Standard We Adopt	Our Management of Environment-related Risks and Performances During the Track Record Period
<p><b>Waste seriflux</b></p>	<p>Pursuant to our Management Measures for Sewage, the Dust and Noise Control of the Company (《污水·揚塵和噪聲控制管理辦法》), no seriflux generated from our production process shall be discharged.</p>	<p>Waste seriflux is collected mainly during the recycling of concrete and during the cleaning of the equipment and the site. The concrete recycling seriflux comes mainly from rinsing the tank on the concrete mix trucks and collecting the leaked and spilled materials from the material receivers of mixers separated from the sand and stone separation equipment. Seriflux also comes from the cleaning of concrete mixer trucks, loading machines and mixing equipment.</p> <p>After the collection, waste seriflux is discharged to tertiary sedimentation tanks set up in our batching plants, where it sedimentates. The precipitated concentrated seriflux can be fully recycled for use after being mixed by seriflux mixing equipment and undergoing concentration adjustment through the Company's patented technology, numbered ZL 2016 20839914.1. During the Track Record Period and up to the Latest Practicable Date, the seriflux treatment related equipment has been installed in our batching plants. As such, we confirm that our batching plants are capable of achieving and have already achieved zero discharge of waste seriflux, outperforming the current national standards during the Track Record Period. According to the environmental inspection report issued by a third-party agency in March 2019, we did not discharge waste seriflux for the years ended December 31, 2016, 2017 and 2018; and we confirm that we did not discharge waste seriflux for the four months ended April 30, 2019.</p>
<p>The Integrated Wastewater Discharge Standard (《污水綜合排放標準》) (GB 8978-1996) has set out maximum allowable discharge by years for different industries, pollutants, and waterbodies to which the waste seriflux is allowed to be discharged.</p>		

Applicable National/ Local Standard	Standard We Adopt	Our Management of Environment-related Risks and Performances During the Track Record Period
<p><b>Dust</b></p> <p>Pursuant to the relevant regulations promulgated by the Ministry of Environmental Protection of PRC, a diversified management of some pollutants, including, among others, the PM, is adopted based on different industries. The particular standards for the concentration of PM in the air of the batching plants are set out in the Sewage Discharge Permits of the batching plants issued by the local environmental protection bureaus or the Environmental Acceptance Report accepted by the local environmental protection bureaus at the completion of construction of those two, a generally national standard, namely the Emission Standard of Air Pollutants for Cement Industry (《水泥工業大氣污染物排放標準》) (GB 4915-2013) is adopted.</p>	<p>Pursuant to either the Sewage Discharge Permits issued by the local environmental protection bureaus of Yunnan Province or the Environmental Acceptance Report accepted by the local environmental protection bureaus at the completion of construction, all of our batching plants are required to comply with the standard of concentration of PM below 1.0 mg/m<sup>3</sup>.</p>	<p>Dust is generated mainly from the loading process of aggregates, the unloading of powder and particle materials, the batch charging process and the agitation of ground dust. To reduce dust generated from the loading process of aggregates, we have set up sheds above our warehouses. To avoid possible materials splashes, we require trucks to be covered when loaded with aggregates. We have installed PM environmental monitoring system and spraying system in our batching plants. PM environmental monitoring system constantly monitor the concentration of PM2.5 and PM10, and can automatically or remotely control the spraying system to conduct dust reduction. In the meantime, we also block material storage yards to reduce the amount of dust raised. We designate specific personnel to regularly check the effectiveness of the dust removal devices in the tubular powder material bins to ensure that the dust removal devices are operating normally and that no dust is discharged. We also designate specific personnel to manage dust raised during the production process by adopting method such as spraying water or covering the dust source. In case of stronger winds, we may stop production so as to limit the rising dust.</p> <p>Pursuant to the annual environmental monitoring reports issued by the third-party environmental monitoring agencies we engaged in 2016, 2017, 2018 and 2019, the monitored real-time PM emissions of our regional batching plants met the standard set out in our Sewage Discharge Permits and Environmental Acceptance Reports, with an average PM concentration of approximately 0.5 mg/m<sup>3</sup>, 0.5 mg/m<sup>3</sup>, 0.6 mg/m<sup>3</sup> and 0.3 mg/m<sup>3</sup>, respectively; and we confirm that the PM emission of our project batching plants met the standard set out in our Sewage Discharge Permits and Environmental Acceptance Reports during the Track Record Period.</p>

Applicable National/ Local Standard	Standard We Adopt	Our Management of Environment-related Risks and Performances During the Track Record Period
<p><b>Noise</b></p> <p>Pursuant to the Environmental Noise Emission Standard for Industrial Enterprises (《工業企業廠界環境噪聲排放標準》) (GB12348-2008), the noise emission of our batching plants located along trunk roads shall not exceed 70 dB during the day and 55 dB at night; The noise emission of our polycarboxylic admixtures plant and batching plants located in industry zones shall not exceed 65 dB during the day and 55 dB at night.</p>	<p>We are following the Environmental Noise Emission Standard for Industrial Enterprises (《工業企業廠界環境噪聲排放標準》) (GB12348-2008) for our noise emission.</p>	<p>Noise is generated mainly from the concrete mixing process and the material loading process. When procuring our equipment, we select equipment with noise emission specifications in compliance with the relevant national standards. As long as the technical performance of the equipment can meet our requirements, we prefer to choosing the equipment with low noise emissions. We also enhance the maintenance and repair of our noise-producing equipment in accordance with our equipment maintenance procedures to reduce noise. In our batching plants and polycarboxylic admixtures plant, we have installed noise-monitoring equipment in order to timely monitor the noise level. Our PRC Legal Advisers have confirmed that we were not been subject to any material administrative penalties during the Track Record Period, and we confirm that we have not received any notification from the local environmental agency in relation to the noise emission during the Track Record Period.</p> <p>Pursuant to the annual environmental monitoring reports issued by the third-party environmental monitoring agencies we engaged in 2016, 2017, 2018 and 2019, the monitored real-time noise emissions of our regional batching plants met the relative national standard, with an average daytime noise emission of approximately 57.4 dB, 54.4 dB, 57.8 dB and 56.9 dB, respectively, and an average night-time noise emission of approximately 50.1 dB, 48.6 dB, 48.0 dB and 48.4 dB, respectively; and we confirm that the noise emission of our project batching plants met the relative national standard during the Track Record Period.</p>

Applicable National/ Local Standard	Standard We Adopt	Our Management of Environment-related Risks and Performances During the Track Record Period
<p><b>Solid waste</b></p> <p>The General Industrial Solid Waste Storage and Disposal Site Pollution Control Standard (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) have stipulated different storage places and disposal places based on the nature of different solid waste, so as to minimize the negative effects to the surrounding environment.</p>	<p>We are following the General Industrial Solid Waste Storage and Disposal Site Pollution Control Standard (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) for our solid waste storage and disposal.</p>	<p>Some of our solid waste is categorized as the normal solid waste, which includes the obsolete concrete blocks and the sediments for our waste seriflux recycling. The sediments were reused as our raw materials, and the concrete blocks were stored before they were delivered to a qualified third party for disposal. Some of our solid waste, including the waste storage barrels, is categorized as the hazardous waste and was stored in storage rooms specially designated and equipped for storage of hazardous waste before it was delivered to a qualified third party for disposal. As such, as confirmed by the third-party agency in our environmental inspection report in March 2019, the solid waste generated during our operation was stored or disposed, with a disposal rate of 100% for the years ended December 31, 2016, 2017 and 2018. We confirm that the storage and disposal of our solid waste is in compliance with the General Industrial Solid Waste Storage and Disposal Site Pollution Control Standard (《一般工業固體廢物貯存、處置場污染控制標準》) (GB18599-2001) and the Standard for Pollution Control on Hazardous Waste Storage (《危險廢物貯存污染控制標準》) (GB18597-2001) during the Track Record Period.</p>

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### **Environmental Protection Costs**

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our environmental protection costs amounted to RMB11.5 million, RMB14.1 million, RMB11.3 million and RMB9.5 million, respectively. We incurred these expenses primarily through purchasing and installing environmental protection equipment and facilities, monitoring our environmental impact and clearing garbage. We anticipate that our environmental protection costs will amount to RMB20.2 million by the end of 2019 and further to RMB21.0 million by the end of 2020 for the upgrade of our production facilities to green production and steadily increase in the years thereafter. In addition, we also intend to use approximately HK\$38.1 million of the net proceeds from the Global Offering for the green and environmental upgrades of our regional batching plants in Kunming, Zhaotong, Chuxiong, Baoshan, Yuxi and Qujing. For further details of our upgrading plans, please refer to the section headed “Future Plans and Use of Proceeds” in this prospectus.

Based on the above, to the best of our Directors’ knowledge, information and belief, the environmental-related risks are not expected to have any material adverse effect on our business, strategy and financial performances.

### **REPAIR AND MAINTENANCE**

We conduct repair and maintenance of the equipment in our production plants on a regular basis to optimize production efficiency and avoid unexpected interruption of our production. We can carry out simple maintenance and repair of our equipment us internally, but if needed, we may engage qualified third party service providers. Generally, the service life of our concrete production equipment varies from three to ten years. In particular, machines that serve a specific project generally have a service life determined by the duration of the project (generally no shorter than three years), while other machines generally have a service life of no longer than 10 years.

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The table below sets forth a breakdown of the repair and maintenance fees of our concrete production facilities, polycarboxylic admixtures production facilities and aggregates production facilities for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
For concrete production facilities	8,014	8,897	9,772	2,462
For polycarboxylic admixtures production facilities	74	94	217	22
For aggregates production facilities	498	359	154	60
<b>Total</b>	<b>8,586</b>	<b>9,350</b>	<b>10,143</b>	<b>2,544</b>

For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, we incurred approximately RMB8.6 million, RMB9.4 million, RMB10.1 million and RMB2.5 million in repair and maintenance expenses, respectively, representing 0.4%, 0.3%, 0.3% and 0.3% of our total operation costs, respectively.

There have not been any major disruptions caused by equipment failure during the Track Record Period.

### RAW MATERIALS

The raw materials that we use in our business primarily include binding materials (such as cement, slag powder, coal ash and compound mineral additives), aggregates and admixtures (such as polycarboxylic admixtures, naphthalene admixtures, expansive agent and fiber) in concrete production. In the production of polycarboxylic admixtures, the major raw materials include HPEG (甲基烯丙醇聚氧乙烯醚), acroleic acid, mercaptopropionic acid, vitamin C and hydrogen peroxide. We carry out polycarboxylic admixture and aggregates production activities to meet some of our internal production demand and purchase the rest of our required polycarboxylic admixtures, aggregates, and other raw materials from third parties.



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The raw materials that we purchase externally are generally supplied by our qualified PRC suppliers. The price of our raw materials are sensitive to market fluctuations, especially the price of cement and aggregates. Since 2016, cement prices have risen continuously. The annual average price of cement rose from RMB261.1 per tonne in 2016 to RMB340.1 per tonne in 2017, and reached RMB431.9 per tonne in 2018. According to the CIC Report, the cement price in Yunnan Province remained at a high level in 2018, rising to RMB359.8 per tonne, as a result of production adjustments made in response to the government's policy of cutting excessive capacity. In the coming years, along with the furtherance of the supply-side structural reform in construction materials in Yunnan Province as well as tightened environmental protection regulation on cement production, the average price of cement in Yunnan Province is expected to maintain its growth. Since the second half of 2016, as a result of the implementation of stringent environmental protection rules and regulations by the government, a number of small scale quarries were closed which caused a decrease in supply and a corresponding rise in the price of aggregates. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – The shortage in supply or increase in prices of raw materials may affect our business".

In response to the recent increase in prices of raw materials, we have implemented and plan to implement the following measures to ensure our supply of raw materials and the profitability of our business:

- adjusting the sales price of our concrete accordingly, for details please refer to "– Sales and Marketing – Pricing Policy";
- entering into strategic cooperation with manufacturers;
- searching for resources with price advantages;
- seeking favorable prices of raw materials through bidding, competitive negotiation, and price inquiry and comparison for large-scale procurement;
- adjusting the procurement channel when necessary to strengthen our bargaining power; and
- collecting information on the movement of raw material prices so as to utilize our resources reasonably and control the price.

Our Directors believe that currently there is adequate supply of binding materials, admixtures and other raw materials that we use on the market and do not foresee any difficulty in obtaining such raw materials for our production requirements in the near future. Please refer to "– Suppliers" below.

**Inventory Policy**

We take various measures to ensure an adequate stock of raw materials. Our inventory primarily includes aggregates, cement, slag powder, coal ash and admixtures, and is stored in our batching plants. To ensure our continued production, we set a warning threshold for our on-hand inventory. If the actual inventory is lower than 30% of our inventory capacity, then managers of the relevant branches or the procurement department will be timely informed enabling them to respond accordingly. Our branches take their inventory and production progress into account and then submit a demand plan to our suppliers to ensure sufficient and timely supply.

**TRANSPORTATION SERVICE**

In addition to using our own transport vehicles for concrete transportation, we also engage third party transportation service providers. In 2016, 2017 and 2018 and the four months ended April 30, 2019, our transportation expenses were RMB132.6 million, RMB222.4 million, RMB255.7 million and RMB68.7 million respectively, accounting for 6.6%, 8.2%, 8.5% and 8.1% of our cost of sales in the same period.

**RESOURCE SUPPLY**

The production of concrete is a resource-intensive process in which water and electricity are heavily used in the production.

We obtain our electricity supply mainly from the state grid. In addition, our batching plants are generally equipped with emergency generators to ensure the supply of electricity. We did not experience any difficulty in obtaining adequate electricity during the Track Record Period, and our Directors do not foresee any problem in obtaining electricity for our production facilities in the foreseeable future.

We obtain our water supply mainly from local water pipes, as well as from recycled water from sediment tanks in our batching plants. We did not experience any difficulty in obtaining adequate process water during the Track Record Period, and our Directors do not foresee any problem in obtaining process water for our production facilities in the foreseeable future.

For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, our total costs for electricity, water and other resources were RMB12.9 million, RMB15.2 million, RMB14.4 million and RMB3.5 million, respectively.

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### SUPPLIERS

The procurement department of our Group is responsible for the centralized management of the procurement of raw materials. We conduct regular research on raw material markets as well as periodic review of our suppliers. For our raw material suppliers, we conduct annual reviews of their qualifications. During these reviews, we consider the product quality, supply capability, after-sales service, price and credit of each supplier. After the reviews, we compile a list of qualified suppliers, and enter into supply agreements with advantageous suppliers. In addition to this annual review, we also conduct regular and ad hoc reviews of the suppliers, the results of which are used as the basis for the annual reviews. For the suppliers of our production facilities (including testing facilities, office facilities and accessories), we conduct annual reviews on their qualifications. During these reviews, we consider the quality assurance and relevant certifications, production scale, price and reputation of the suppliers. After this review, we compile a list of qualified facility suppliers. We also obtain services including transportation and equipment leasing from some third-party suppliers.

Upon receipt of the raw materials, our materials department double checks the name and specification of the materials. Where there are quality disputes, the materials are further checked by our quality control staff in our batching plants to ensure that the raw materials comply with our production requirements. Unqualified raw materials are returned to the supplier.

According to our supplier agreements, we are generally required to make monthly payments for our raw materials after delivery. We make payment for raw materials by way of bank transfers, bank's acceptance notes and other means.

For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, our total purchase from suppliers amounted to RMB1,820.4 million, RMB2,476.7 million, RMB2,752.3 million and RMB803.2 million, respectively. For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, purchases from our top five suppliers for raw materials accounted for approximately 21.0%, 19.2%, 13.3% and 13.1% of our purchases, respectively. During the same periods, the purchases from our largest supplier for raw materials, YCIH Group, accounted for approximately 11.0%, 9.8%, 6.1% and 3.5% of our total purchases, respectively. As of the Latest Practicable Date, the length of our cooperative relationships with our top five suppliers during the Track Record Period ranged from one to 12 years.

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### Our Top Five Suppliers

The following table sets forth the details of our five largest suppliers for the year ended December 31, 2016:

Ranking	Supplier	Major products procured	Purchase amount <i>(RMB'000)</i>	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date <i>(approximate)</i>
1	YCIH Group <sup>Note</sup>	Cement and aggregates	200,024	11.0%	The procurement, storage, supply, delivery and logistics of construction materials.	12 years
2	Supplier A	Cement	51,550	2.8%	Sales of black and non-ferrous metal materials (excluding gold and silver), minerals, pig iron, metal, electromechanical products, mining accessories, instruments and meters, rubber products, plastic products, auto spare parts, building materials, decorative materials and office supplies; lease of machinery, equipment and property.	5 years
3	Supplier B	Equipment lease	45,897	2.5%	Production and sales of ready-mixed commercial concrete; construction of water conservancy and hydropower projects, municipal public projects, building decoration projects and waterproof projects; design and construction of steel structure engineering.	3 years

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Ranking	Supplier	Major products procured	Purchase amount <i>(RMB'000)</i>	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date <i>(approximate)</i>
4	Supplier C	Cement	45,236	2.5%	Sales of minerals, metal, building materials, footwear, clothing, general merchandise, computer hardware and software; ordinary freight.	4 years
5	Supplier D	Cement	40,160	2.2%	Wholesale and retail of mechanical equipment, general merchandise, construction materials (excluding metal materials).	4 years
<b>Total</b>			<b><u>382,867</u></b>	<b><u>21.0%</u></b>		

*Note:* Also our customer.

The following table sets forth the details of our five largest suppliers for the year ended December 31, 2017:

Ranking	Supplier	Major products procured	Purchase amount <i>(RMB'000)</i>	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date <i>(approximate)</i>
1	YCIH Group <sup>Note</sup>	Cement	243,043	9.8%	The procurement, storage, supply, delivery and logistics of construction materials.	12 years

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<u>Ranking</u>	<u>Supplier</u>	<u>Major products procured</u>	<u>Purchase amount</u>	<u>% of our total purchases</u>	<u>Main Business</u>	<u>Length of relationship as of the Latest Practicable Date (approximate)</u>
<i>(RMB'000)</i>						
2	Supplier A	Cement	72,245	2.9%	Sales of black and non-ferrous metal materials (excluding gold and silver), minerals, pig iron, metal, electromechanical products, mining accessories, instruments and meters, rubber products, plastic products, auto spare parts, building materials, decorative materials and office supplies; lease of machinery, equipment and property.	5 years
3	Supplier E	Processing and transportation	57,677	2.3%	Production, sales and prefabricate of commercial concrete; mining, processing and sales of limestone; sales of construction materials and machinery equipment, municipal engineering management and infrastructure construction.	3 years

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Ranking	Supplier	Major products procured	Purchase amount	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date (approximate)
<i>(RMB'000)</i>						
4	Supplier F <sup>Note</sup>	Polycarboxylic admixtures	53,001	2.1%	Sales of concrete admixtures, building materials and decorative materials; Technical research, development and consulting services relating to building materials.	4 years
5	Supplier G	Cement	50,191	2.0%	Sales of construction materials, decoration materials, gold products, general merchandise, electronic products, mechanical equipment and electromechanical equipment.	3 years
<b>Total</b>			<u><u>476,157</u></u>	<u><u>19.2%</u></u>		

*Note:* Also our customer.

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The following table sets forth the details of our five largest suppliers for the year ended December 31, 2018:

Ranking	Supplier	Major products procured	Purchase amount	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date (approximate)
<i>(RMB'000)</i>						
1	YCIH Group <sup>Note</sup>	Cement	166,912	6.1%	The procurement, storage, supply, delivery and logistics of construction materials.	12 years
2	Supplier F <sup>Note</sup>	Polycarboxylic admixtures	62,268	2.3%	Sales of concrete admixtures, building materials and decorative materials; Technical research, development and consulting services relating to building materials.	4 years
3	Supplier H	Admixtures	48,887	1.8%	Research and development, manufacturing and sales of advanced polymer materials, specialty chemicals, ethylene oxide, ethylene, propylene, propane, mixed C4, mixed C5, liquid oxygen, liquid nitrogen, liquid argon, ethylene glycol, heavy alcohol and plaster.	4 years



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<u>Ranking</u>	<u>Supplier</u>	<u>Major products procured</u>	<u>Purchase amount</u>	<u>% of our total purchases</u>	<u>Main Business</u>	<u>Length of relationship as of the Latest Practicable Date (approximate)</u>
			<i>(RMB'000)</i>			
4	Supplier A	Cement	46,973	1.7%	Sales of black and non-ferrous metal materials (excluding gold and silver), minerals, pig iron, metal, electromechanical products, mining accessories, instruments and meters, rubber products, plastic products, auto spare parts, building materials, decorative materials and office supplies; lease of machinery, equipment and property.	5 years
5	Supplier I	Cement	41,747	1.5%	Production and sales of ordinary silicate cement, road silicate cement, limestone silicate cement, coal ash cement and early strength cement.	2 years
	<b>Total</b>		<b><u>366,787</u></b>	<b><u>13.3%</u></b>		

*Note:* Also our customer.

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The following table sets forth the details of our five largest suppliers for the four months ended April 30, 2019.

Ranking	Supplier	Major products procured	Purchase amount <i>(RMB'000)</i>	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date (approximate)
1	YCIH Group <sup>Note</sup>	Cement	28,312	3.5%	The procurement, storage, supply, delivery and logistics of construction materials.	12 years
2	Supplier J	Cement	22,046	2.7%	Coal industry investment and asset management, coal mining, deep processing and comprehensive utilization, transportation and warehousing, sales and trade of coal and products; coal mining contracting, mining and mechanical equipment purchase and sales; coal industry design, technical consultation; engineering geological geotechnical investigation; engineering measurement; engineering supervision; mechanical and electrical equipment, metal materials and instrumentation performance test of coal industry, construction materials trade.	1 year
3	Supplier A	Cement	21,284	2.6%	Sales of black and non-ferrous metal materials (excluding gold and silver), minerals, pig iron, metal, electromechanical products, mining accessories, instruments and meters, rubber products, plastic products, auto spare parts, building materials, decorative materials and office supplies; lease of machinery, equipment and property.	5 years

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Ranking	Supplier	Major products procured	Purchase amount <i>(RMB'000)</i>	% of our total purchases	Main Business	Length of relationship as of the Latest Practicable Date (approximate)
4	Supplier K	Cement	17,574	2.2%	Wholesale and retail of daily necessities; sales of livestock, aquatic products, mineral products (excluding rare metals), metal materials and metal products, non-ferrous metals, rubber products, machinery and equipment, coal, chemical products (excluding hazardous chemicals), building materials, Steel, electromechanical equipment, fuel oil (excluding refined oil, hazardous chemicals), fertilizer, agricultural and sideline products, wood, asphalt (excluding dangerous goods), electronic products and spare parts, communication equipment, computer electronics, transmission line towers, Broadcast communication tower, property management, cleaning services, general freight.	1 year
5	Supplier L	Cement	16,220	2.0%	Wholesale and retail of non-metallic minerals and products, building materials and chemical products (excluding hazardous chemicals), design and construction of architectural decoration engineering, road transportation of ordinary goods, loading and unloading, handling services, cargo information consulting services.	1 year
<b>Total</b>			<b>105,436</b>	<b>13.1%</b>		

*Note:* Also our customer.

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Save for YCIH Group, none of our top five suppliers is a connected person of our Company. For details of our connected relationships, please refer to the section headed “Connected Transactions”. Save as disclosed herein, none of our Directors, their respective close associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our top five suppliers.

### SALES AND MARKETING

Our production plans are driven by customer demand. As of the Latest Practicable Date, our marketing team has a total 77 employees. At our headquarters, our marketing management department is responsible for collecting market information and developing external markets, while at the branch and subsidiary level, the marketing offices are responsible for the marketing work of their respective branch or subsidiary. We adopt various methods to expand our customer base and promote our products and services. Our marketing personnel are responsible for routinely visiting customers, maintaining communication channels with customers and offering other customer services. In addition, during the production process, marketing personnel are responsible for maintaining good relationships with customers proactively and timely communicating with customers about different kinds of problems arising during the production and supply process, so as to improve customers satisfaction. We also participate in various exhibitions, for instance, the 2018 China (Xiong’an) Concrete Technology and Equipment Exhibition (2018中國(雄安)混凝土技術及裝備展覽會), to promote our products and market reputation. Some customers actively approach us to purchase our products and services, which we attribute to our strong market position in Yunnan Province.

In addition to our direct selling efforts, we also obtain our sales orders through competitive negotiation and tendering and bidding.

Competitive negotiation is our main approach to obtaining orders. During a competitive negotiation, we prepare quotation documents according to our guidance prices for the sales of concrete while also taking into account local market prices. After being reviewed, approved and sealed, the quotation documents are sent to the customer, initiating our participation in competitive negotiations. After negotiations with each supplier and comparing prices and other qualifications and conditions, the customer determines the winning supplier and enters into a formal contract.

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Occasionally we also participate in bidding and tendering process for sale of our ready-mixed concrete. During the process of bidding and tendering, we usually purchase or obtain bidding documents directly from customers. We then prepare the tender documents according to the requirements of the bidding documents, and submit the tender after the approval by relevant departments and the management of our Group. If the bidding succeeds, our project leader will negotiate the contract terms with the tenderer and enter into the contract. The table below sets forth the number of bids submitted for tendering, the number of projects secured through tender process and the tender success rate during the Track Record Period:

	Year ended December 31,			Four months ended April 30,	During the period from May 1, 2019 till June 30,
	2016	2017	2018	2019	2019
Number of bids submitted for tendering	3	11	30	26	5
Number of projects secured through tender process	1	3	12	10	1
<b>Tender Success Rate<sup>Note</sup></b>	33.3%	27.3%	40.0%	38.5%	20.0%

*Note:* Calculated as the total number of projects that we secured through the tender process to the total number of projects that we participated in the tender process and bid for.

### Customers

We are devoted to building a broad and well-established customer base in China. Our major customers include state-owned real estate developers, construction companies and infrastructure investment vehicles. In 2018, we boasted cooperative relationships with 92 group customers, of which 19 were customer group from previous years, who contributed for 84.6% of our revenue in 2018. For the four months ended April 30, 2019, we boasted cooperative relationships with 49 group customers. Among them, 13 were group customers from previous years, accounting for 80.1% of our revenue for the four months ended April 30, 2019. As of the Latest Practicable Date, the length of our cooperative relationships with these 13 customers ranged from one to 12 years. Our cooperative relationships with these customers enable us to secure stable and large-scale orders.

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### Our Top Five Customers

The table below sets out the particulars of our top five customers for the year ended December 31, 2016:

Ranking	Customer	Main product provided	Revenue <i>(RMB'000)</i>	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date <i>(approximate)</i>
1	YCIH Group <sup>Note</sup>	Ready-mixed concrete	1,956,741	81.4%	Management of state-owned assets within the scope of business authorization; construction and management of infrastructure investment; general contracting of building construction projects and production and sales of other building components.	12 years
2	Customer A	Ready-mixed concrete	141,434	5.9%	Infrastructure construction; real estate development; investment and operations of railway and highway.	12 years
3	Customer B	Ready-mixed concrete	25,932	1.1%	Management of state-owned assets within the scope of business authorization; undertaking domestic and overseas civil and construction projects; real estate development, etc.	12 years
4	Customer C <sup>Note</sup>	Polycarboxylic admixtures	15,815	0.7%	Production, processing and sales of chemical products, import and export of goods, etc.	5 years

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Ranking	Customer	Main product provided	Revenue	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date (approximate)
<i>(RMB'000)</i>						
5	Customer D	Ready-mixed concrete	15,631	0.7%	Contracting for various types of construction projects at home and abroad; real estate development, operation and consultancy; investment and construction of urban infrastructure, etc.	9 years
<b>Total</b>			<b><u>2,155,553</u></b>	<b><u>89.6%</u></b>		

*Note:* Also our supplier.

The table below sets out the particulars of our top five customers for the year ended December 31, 2017:

Ranking	Customer	Main product provided	Revenue	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date (approximate)
<i>(RMB'000)</i>						
1	YCIH Group <sup>Note</sup>	Ready-mixed concrete	2,618,001	84.1%	Management of state-owned assets within the scope of business authorization; construction and management of infrastructure investment; general contracting of building construction projects and production and sales of other building components.	12 years

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Ranking	Customer	Main product provided	Revenue (RMB'000)	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date (approximate)
2	Customer A	Ready-mixed concrete	107,709	3.5%	Operation of infrastructure construction; real estate development; investment and operations of railway and highway.	12 years
3	Customer B	Ready-mixed concrete	35,685	1.1%	Management of state-owned assets within the scope of business authorization; undertaking domestic and overseas civil and construction projects; real estate development, etc.	12 years
4	Customer C <sup>Note</sup>	Polycarboxylic admixtures	30,103	1.0%	Production, processing and sales of chemical products, import and export of goods, etc.	5 years
5	Customer D	Ready-mixed concrete	22,533	0.7%	Contracting for various types of construction projects at home and abroad; real estate development, operation and consultancy; investment and construction of urban infrastructure, etc.	9 years
<b>Total</b>			<b><u>2,814,031</u></b>	<b><u>90.4%</u></b>		

*Note:* Also our supplier.



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The table below sets out the particulars of our top five customers for the year ended December 31, 2018:

Ranking	Customer	Main product provided	Revenue (RMB'000)	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date (approximate)
1	YCIH Group <sup>Note</sup>	Ready-mixed concrete	2,459,814	73.3%	Management of state-owned assets within the scope of business authorization; construction and management of infrastructure investment; general contracting of building construction projects and production and sales of other building components.	12 years
2	Customer B	Ready-mixed concrete	134,835	4.0%	Management of state-owned assets within the scope of business authorization; undertaking domestic and overseas civil and construction projects; real estate development, etc.	12 years
3	Customer A	Ready-mixed concrete	88,567	2.6%	Operation of infrastructure construction; real estate development; investment and operations of railway and highway.	12 years
4	Customer E	Ready-mixed concrete	62,323	1.9%	Contracting for overseas projects and domestically-tendered international projects; building decoration and decoration, etc.	12 years
5	Customer F	Ready-mixed concrete	52,984	1.6%	A government department.	1 year
<b>Total</b>			<b><u>2,798,523</u></b>	<b><u>83.4%</u></b>		

*Note:* Also our supplier.

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The following table sets forth the particulars of our top five customers for the four months ended April 30, 2019:

Ranking	Customer	Major products provided	Revenue (RMB'000)	% to our total revenue	Principal business activities	Length of relationship as of the Latest Practicable Date (approximate)
1	YCIH Group <sup>Note</sup>	Ready-mixed concrete	576,463	61.5%	The procurement, storage, supply, delivery and logistics of construction materials.	12 years
2	Customer B	Ready-mixed concrete	91,423	9.7%	Management of state-owned assets within the scope of business authorization; undertaking domestic and overseas civil and construction projects; real estate development, etc.	12 years
3	Customer E	Ready-mixed concrete	31,811	3.4%	Contracting for overseas projects and domestically-tendered international projects; building decoration and decoration, etc.	12 years
4	Customer A	Ready-mixed concrete	22,016	2.3%	Operation of infrastructure construction; real estate development; investment and operations of railway and highway.	12 years
5	Customer G	Ready-mixed concrete	15,951	1.7%	Investment, construction, operation and management of expressways and supporting facilities; construction, development and operation of logistics parks; land development, storage, and sorting authorized by the government; supply and marketing of materials; maintenance and management of roads and road facilities, domestic trade import and export business.	1 year
<b>Total</b>			<b>737,664</b>	<b>78.6%</b>		

*Note:* Also our supplier.

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For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, sales to our top five customers amounted to RMB2,155.6 million, RMB2,814.0 million, RMB2,798.5 million and RMB737.7 million, accounting for approximately 89.6%, 90.4%, 83.4% and 78.6% of our total revenue, respectively. Save for YCIH Group, none of our top five customers is a connected person of the Company. Save as disclosed herein, none of our Directors, their respective close associates or any of the Shareholders (which to the knowledge of our Directors owns more than 5% of the issued share capital of our Company) had any interest in any of our top five customers. For more details, please refer to the section headed “Connected Transactions”.

Sales to our largest customer YCIH Group amounted to approximately 81.4%, 84.1%, 73.3% and 61.5%, respectively, of our total revenue in 2016, 2017 and 2018 and the four months ended April 30, 2019. We set out below the details of our sales to YCIH Group.

### *Background of the YCIH Group*

The YCIH Group is a leading construction enterprise in Yunnan Province whose principal businesses include the construction of various type of infrastructure projects. In 2018, YCIH Group ranked the first in Yunnan Province in terms of revenue derived from the construction business (including, among others, residential construction, civil engineering projects, installation industry and architectural decoration), with a market share of approximately 21.7%, according to the CIC Report.

Set out below is the competition landscape for the construction business<sup>Note 1</sup> in Yunnan Province in 2018 according to the CIC Report:

<u>Ranking</u>	<u>Company</u>	<b>Total revenue from construction businesses of 2018</b> <i>(RMB billion)</i>	<b>Market share<sup>Note 2</sup> in 2018</b>
<b>1</b>	YCIH Group	118.54	21.7%
<b>2</b>	Company A	55.00	10.1%
<b>3</b>	Company B	21.00	3.8%
<b>Sub-total</b>		194.54	35.6%
<b>Others<sup>Note 3</sup></b>		351.31	64.4%
<b>Total</b>		<b>545.85</b>	<b>100.0%</b>

*Notes:*

1. Including residential construction, civil engineering projects, installation industry, architectural decoration and other construction businesses.
2. Calculated as the total revenue from construction business of the companies indicated over that of all market players in Yunnan Province.
3. Representing approximately 2,600 other companies with construction businesses in Yunnan Province.

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As of the Latest Practicable Date, YCIH held approximately 73.18% of our total issued share capital directly and 16.47% of our total issued share capital indirectly through YOIC, one of YCIH's wholly owned subsidiaries. YCIH is a wholly state-owned entity held directly by Yunnan SASAC (90.27%) and Yunnan Provincial Department of Finance (雲南省財政廳) (9.73%).

For details of our relationships with YCIH and YOIC, please refer to the section headed "Relationship with our Controlling Shareholders".

### *Our Sale of Concrete to YCIH Group During the Track Record Period*

Since the inception of our business, we have supplied ready-mixed concrete to the YCIH Group for their construction projects. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, sales to YCIH Group amounted to RMB1,956.7 million, RMB2,618.0 million, RMB2,459.8 million and RMB576.5 million, respectively, accounting for approximately 81.4%, 84.1%, 73.3% and 61.5%, respectively, of our total revenue for the same period.

The high percentage YCIH Group's contribution to our revenue is largely attributable to the relatively centralized ready-mixed concrete and construction industries in Yunnan Province. According to the CIC Report, there are approximately 370 ready-mixed concrete producers in Yunnan Province, of which only five were large-scale production enterprises with an annual production volume of more than one million cubic meters, representing approximately 25.2% of the market share in terms of production volume in 2018. We are the largest ready-mixed concrete producer in Yunnan Province in terms of production volume in 2018 according to the CIC Report, with a market share of 14.9%. Because of our dominant market position in the ready-mixed production industry and YCIH Group's dominant market position in the construction industry in Yunnan Province, it was inevitable for us to supply ready-mixed concrete to YCIH Group.

Other than the aforesaid, our sales of ready-mixed concrete to YCIH Group during the Track Record Period is also because of:

- (i) the inherent connection and inter-dependence between construction operations undertaken by YCIH Group and ready-mixed concrete supply undertaken by our Group; the ready-mixed concrete produced by our Group is primarily used for construction operations and our customers mainly include state-owned real estate developers, construction companies and infrastructure investment vehicles such as YCIH Group;
- (ii) the required proximity to each other as determined by the nature of ready-mixed concrete, such that a concrete batching plant generally can only cover a reasonable transportation radius to ensure delivery time and conditions of the concrete, and our capability in satisfaction of technical standards which largely apply to the local geographical environment; our concrete batching plants are widely dispersed in 11 autonomous prefectures and cities in Yunnan Province, where YCIH Group carries out many of its infrastructure and construction business operations; and

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- (iii) the development of reliable and mutually beneficial cooperation relationship between our Group and YCIH Group:
  - (a) by supplying ready-mixed concrete to YCIH Group that often undertakes high profile and demanding projects in Yunnan Province, we believe that it can build up our own profile and boost our reputation among our existing and potential customers; and
  - (b) YCIH Group relies on our Group with respect to concrete supply in terms of quantity and quality, and in particular, our ability to satisfy YCIH Group's specific need in different projects; we are one of the few players in the concrete production business in Yunnan Province that are capable of providing reliable and sufficient supply of concrete to meet YCIH Group's substantial needs of concrete supply in its construction business operations.

It is remarkably common for major concrete companies in China to supply large amount of products to connected construction groups within the same region for similar reasons mentioned above.

Although YCIH Group remained our largest customer during the Track Record Period, the revenue generated from sales to YCIH Group decreased from RMB2,618.0 million in 2017 to RMB2,459.8 million in 2018, and the percentage of our revenue decreased from 84.1% in 2017 to 73.3% in 2018. This decrease was primarily due to: (i) the increase in demand for the products from independent third party customers; and (ii) the expansion of our sales to the independent customers as a result of our marketing team's efforts.

Our Directors expect that the proportion of revenue attributable to the sales to YCIH Group is likely to further decrease to approximately 70% by the end of 2019, as we are currently exploring business opportunities in markets outside Yunnan Province, where YCIH Group has its dominant market position in construction industry. We will endeavor to diversify and expand our customer base by developing new and independent customers.

### ***Salient terms and pricing arrangement of the sales and purchase transactions between YCIH Group and our Group during the Track Record Period***

During the Track Record Period, we mainly sold ready-mixed concrete with grade levels ranging from C10 to C60 to and purchased cement from YCIH Group. The following is a summary of the salient terms and pricing arrangement of the ready-mixed concrete sales contracts and cement purchase contracts entered into between our Group and YCIH Group:

#### *Ready-mixed concrete sales contracts:*

- (i) Pricing

Some of our Group's contracts with YCIH Group contain price adjustment clauses in order to cover increased costs incurred during the Group's provision of the relevant ready-mixed concrete such as raw materials and diesel, pursuant to which, for example, once the market price of raw materials increased above or decreased below a certain

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percentage (generally set at 5 or 10 per cent) of the price of the raw materials when the contract was entered into, a price adjustment mechanism would be triggered. Once a price adjustment mechanism was triggered, our Group might negotiate with YCIH Group over the price increase/decrease to determine the adjustment on the unit price and specify in a supplemental agreement the adjusted price and the starting date of such adjustment.

(ii) Payment and credit terms

During the Track Record Period, we generally required YCIH Group to settle 70%-90% of the total purchase price for the ready-mixed concrete we supplied to YCIH Group in the previous month and the remaining balance within three or six months after the completion of concrete casting of the main structure of the project and the qualification of 28-day strength test on standard samples.

*Cement purchase contracts:*

(i) Pricing

For some cement purchase contracts with YCIH Group, the purchase price was adjustable against the market price of cement if there were significant fluctuation.

(ii) Payment and credit terms

During the Track Record Period, we were generally required to settle 70%-90% of the total purchase prices for the cement supplied by YCIH Group in the previous month and the remaining balance within six months after the completion of the project or the cessation of supply of the cement pursuant to the relevant cement purchase contract.

***No undue reliance on YCIH Group***

Notwithstanding that our sales to YCIH Group contributed a significant portion of our revenue during the Track Record Period, our Directors do not consider that our business is unduly reliant on YCIH Group for the following reasons:

- Our cooperative relationship with YCIH Group is mutual and complementary.

Not only did our sales to YCIH Group contribute a high percentage of our sales volume during the Track Record Period, the purchase of ready-mixed concrete from us accounted for a high percentage of the total purchase volume of concrete by YCIH Group as well. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the purchase volume of ready-mixed concrete by YCIH Group from us accounted for approximately 45.4%, 40.6%, 34.5% and 32.4% respectively of the total volume of concrete purchased by YCIH Group. Such percentage remained a relatively high level during the Track Record Period and its decrease corresponds to the decrease in the percentage of our sales of ready-mixed concrete to YCIH Group, which had been

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achieved through our efforts to expand our customer base and develop independent customers. In addition, such decrease was also attributable to the business expansion of YCIH Group outside Yunnan Province, where we had no well-established batching plant networks. Apart from us, the number of other suppliers from which YCIH Group sources its ready-mixed concrete for the years ended December 31, 2016, 2017 and 2018 was 184, 210 and 300, respectively, all of which, to the best knowledge of the Directors, are not connected persons of YCIH Group and/or our Group pursuant to the Hong Kong Listing Rules.

As such, YCIH Group is dependent on us with respect to its concrete supply. Such dependence was primarily attributable to: (i) our leading market position in Yunnan Province; (ii) our wide dispersal of concrete batching plants covering 11 autonomous prefectures and cities in Yunnan Province, where YCIH Group carries out many of its infrastructure and construction business operations; (iii) our strong production and transportation capabilities, which enable us to meet the demand of large amount of high-quality concrete for use in various infrastructure and building construction projects; and (iv) our research capability which enables us to develop different types of concrete to satisfy the specific requirements of the various projects carried out by YCIH Group.

- We possess necessary skills and technologies as well as the marketing network to explore new market opportunities.

Our ability to develop and produce concrete in different strength grades and/or of different performances enables us to satisfy different requirements of independent third party customers and further expand our customer bases and cooperation with them.

Furthermore, we have adopted the following methods to further expand our customer base and extend our ongoing cooperation with independent third party customers: (i) we place great emphasis on developing new and independent customers internally, and have adopted special incentives, such as bonus, to promote the enthusiasm and initiative of our marketing team; (ii) we keep track of the business development of large-scale construction corporations, especially those of independent customers, so as to obtain timely information on potential construction projects; (iii) we share information and resources of business opportunities among our sales teams in different locations facilitating to follow up with independent customers locally; (iv) our marketing team maintains close relationship with our existing independent customers so as to obtain first hand information on any subsequent projects and further extend our cooperation with them; and (v) our marketing team continues establishing contact with potential independent customers in the market to expand our customer base.

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We will continue to explore business opportunities in markets outside Yunnan Province and attempt to enhance our presence in new markets. In the meanwhile, we plan to further enhance our skills and technologies in concrete production and expand our 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.

- We have demonstrated our ability to develop independent customers during the Track Record Period.

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

During the Track Record Period, we demonstrated our ability to develop independent customers. In 2016, 2017 and 2018, the number of our independent customers and the new contract value from these independent customers steadily increased. As a result, in the years ended December 31, 2016, 2017 and 2018, the revenue generated from the independent customers increased from RMB445.8 million in 2016 to RMB475.9 million in 2017 and further to RMB876.8 million in 2018. For the four months ended April 30, 2019, the revenue generated from the independent customers was RMB361.5 million. Since 2017, we have established business relationship 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 focusing 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 of ready-mixed concrete supplied. We, leveraging our strong capability in production and research and development, could meet the requirements of these customers and ensure the supply of concrete to various large scale construction projects of these independent customers.



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Set out below are details of our sales to independent customers (i.e. customers other than YCIH Group and other connected customers) during the periods indicated:

	Year Ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
<b>Number of Independent Customers</b> <sup>Note 1</sup>	53	62	102	53
<b>New Contract Value with Independent Customers</b> (in RMB million) (tax-exclusive) <sup>Note 2</sup>	336.8	598.1	1,706.3	523.3
<b>Revenue Derived From Independent Customers</b> (in RMB million)	445.8	475.9	876.8	361.5
<b>Our Total Revenue</b> (in RMB million)	2,404.6	3,112.1	3,357.1	938.0
<b>Contribution to Our Total Revenue</b>	18.5%	15.3%	26.1%	38.5%

*Notes:*

1. Including customers other than YCIH Group and other connected customers. In addition to the sale of concrete to YCIH Group, we also sold concrete to other connected customers, which included the subsidiaries of 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) and the subsidiaries of Baoshan Yongchang Investment and Development (Group) Co., Ltd. (保山永昌投資開發(集團)有限公司). We expect that the amount of such sales in proportion to our total revenue will not increase substantially for the foreseeable future.
2. Representing the values of contracts entered into with customers other than YCIH Group and other connected customers during the year indicated.

As of December 31, 2018, we had a total backlog of RMB2,625.6 million, of which RMB719.1 million, or 27.4% of the total backlog, as from contracts with customers other than YCIH Group. As of April 30, 2019, we had a total backlog of RMB2,585.3 million, of which RMB904.1 million, or 35.0% of the total backlog, as from contracts with customers other than YCIH Group.

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- We expect to continue benefiting from the growth and development of the infrastructure and real estate industries in Yunnan Province.

There is considerable potential for further growth and development of 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 is relatively low. In 2016, the Transportation Department of Yunnan Provincial Government promulgated the Mid-and Long-term and 13th Five-Year Railway Network Plan of Yunnan Province (《雲南省中長期及“十三五”鐵路網規劃》), which has clearly set out the development plan for transportation in Yunnan Province. According to the development plan, the railway operational mileage, railway density and high-speed railway operational mileage in Yunnan Province are expected to reach 6,000 km, 156.5 km/10,000 sq. km and 1,700 km, respectively, by the year 2020 and further to reach 8,000 km, 208.7 km/10,000 sq. km and 3,100 km, respectively, by the year 2030; and 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.

With these development plans in place, we believe they present huge potential for Yunnan Province to develop its infrastructure, in turn creating huge demand for ready-mixed concrete. As a market leader in the ready-mixed concrete industry in Yunnan Province, we have benefitted from and are expected to continue benefitting from this huge demand and will use this expanding demand to expand our customer base.

Furthermore, we expect to benefit from the continuous development of the real estate industry in Yunnan Province as well. According to the CIC Report, with the active promotion of new types of urbanization by the Yunnan Provincial Government as well as the extension of urbanization, investment in real estate industry in Yunnan Province is expected to grow steadily during 2018 to 2023. As such, we believe we may also benefit from the real estate development in Yunnan Province and further diversify and expand our 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 material 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

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the State Council. We believe 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, we may further diversify and expand our customer base.

Based on the above, the Sole Sponsor is of the view that, despite our relatively high revenue deriving from YCIH Group, our reliance on YCIH Group does not render us unsuitable for the Listing.

### **Pricing Policy**

Our major product, ready-mixed concrete, is a downstream product, the price of which is determined based on the following factors: prices of raw materials (such as cement, aggregates and mineral additives), project complexity and technical difficulties, geological conditions of the construction project, cost for construction of batching plants, amortization of equipment and fixed cost, labor costs and requirements on equipment, and prevailing market price. These factors are assessed and reviewed by our marketing personnel. We formulate and publish guidance prices for our concrete every month, which provides guidance on the pricing for our concrete sales.

Should there be any increase in the price, our marketing personnel generally negotiate with our customers for an increased price based on our published guidance price and initiate an internal review process with respect to the increase. The review process is conducted at the subsidiary level as well as at our Company level, where the increase in price is reviewed by our enterprise management department together with our chief economist and approved by the vice president and general manager.

Some of our contracts contain price adjustment clauses to cover increased costs of raw materials used in our production. In general, pursuant to these price adjustment clauses, once the market price of raw materials increases or decreases to a certain percentage (generally 5%) above or below the price of raw material when the sales contract was entered into, a price adjustment mechanism is triggered. In particular, once the market prices of raw materials increase/decrease by certain percentage (generally 5%) or more, we negotiate with the customers over the price increase/decrease to determine the adjustment on the unit price and specify in a supplemental agreement the adjusted price and the starting date of such adjustment. The price adjustment may, in some cases, have retrospective effect. In the event that the price adjustment cannot take effect retrospectively from the date when the price of the relevant raw materials increases/decreases, we may assume/enjoy the cost/profits generated therefrom. As advised by the CIC, such price adjustment terms are generally adopted by other ready-mixed concrete producers in the industry, and based on such, our Directors are of the view, and the Sole Sponsor concurs, that our price adjustment mechanism is in line with the industry practice. In addition, we use our increased cost of raw materials as the basis to negotiate price adjustment with our customers. However, whether or to what extent we are able to successfully negotiate the price adjustment to cover our increased cost of raw materials are mainly subject to our negotiations with our customers in each case. Please refer to the section headed "Risk

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Factors – Risks Relating to Our Business and Industry – The shortage in supply or increase in prices of raw materials may affect our business”. We successfully negotiated the price adjustment upward with respect to 383 project orders during the Track Record Period, with a total adjusted amount of approximately RMB16.9 million, RMB39.8 million, RMB83.3 million and RMB23.4 million, respectively, for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. While these projects mostly related to regular housing projects, which generally had a relatively shorter construction period, we had successfully negotiated the price adjustment upward in the orders relating to two large-scale infrastructure construction projects (i.e. Shangri-la-Lijiang Highway and Lumi Highway) during the Track Record Period with a total adjusted amount of approximately RMB25.2 million. In order to ensure the timely adjustment of the price and facilitate the negotiation with our customers on the price adjustment, we set up a special working team to focus on the price adjustment in the highway projects. This working team is led by Mr. Lu Jianfeng, our executive Director and general manager and comprises our chief economist, three deputy general managers, project managers and staff in charge of procurement and accounting settlement. This working team will lead the whole process of the price adjustment and is responsible for (i) collecting relevant information on raw material price fluctuations; (ii) formulating price adjustment schedule; (iii) negotiating with customers on price adjustment; and (iv) following up on the settlement. Reporting meetings are convened regularly between the price-adjustment working team and our Directors and senior management to report on the progress of price adjustment negotiations and coordinate and solve any problems arising from the process. With the above measures in place, we believe we are able to successfully adjust our prices with the customers, in particular, the large scale infrastructure construction companies. As of the Latest Practicable Date, we were in the process of negotiating the price adjustment with our customers in relation to two large scale infrastructure construction projects, and our Directors believe that such adjustments are expected to be successfully made by the end of 2019 with the above measures taken.

The price of our polycarboxylic admixture products is generally determined by taking into account the cost of raw materials, production cost and transportation cost, and the price of our aggregates products is generally determined with reference to the cost of production and transportation cost.

### **Payment Terms**

When determining the payment terms for the sales of our ready-mixed concrete, we may consider the duration of our business relationship with our customers, their credit history and the types of project they engage in, we adopt various payment methods in our sales contracts, including, among others: (i) payment before delivery; (ii) payment upon delivery; or (iii) monthly installment payments of 70% to 100% of the total settlement amount for the previous month’s supply. In case of partial payment, the remaining balance is generally settled within three or six months after the completion of concrete casting of the main structure of the project and the qualification of 28-day strength test on standard samples under the witness of us, our customers and the project supervisors.

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For our polycarboxylic admixture products, we generally require the customer to settle 70% to 80% of the total purchase prices for the products we supplied in the previous month and the remaining 20% to 30% within six months after the completion of our supply.

For the external sale of aggregates, we adopt flexible payment terms, which include (i) payment in advance; and (ii) payment after delivery. With respect to certain customers, we request for payment in advance, and our supply of aggregates are based on the advanced payment.

### **Overlapping of Major Suppliers and Customers**

Apart from being our largest customer, YCIH Group was also our largest supplier during the Track Record Period. We purchased cement and aggregates from YCIH Group. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total purchases from YCIH Group for raw materials amounted to RMB200.0 million, RMB243.0 million, RMB166.9 million and RMB28.3 million, respectively, representing 11.0%, 9.8%, 6.1% and 3.5%, respectively, of the total purchase of our Group. The purchases from the YCIH Group were made primarily to take advantage of (i) the favorable prices offered by supplies under the YCIH Group's centralized procurement to reduce our overall raw materials costs; and (ii) the location of the YCIH Group's cement plants, which are located a short distance from some of our batching plants, thereby minimizing the transportation costs of our raw materials.

Our Supplier X was also our customer. We sold polycarboxylic admixtures mother liquor to Supplier X and purchased compounded admixtures from Supplier X to use for some of our highway construction projects. For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, our total purchases from Supplier X amounted to RMB31.4 million, RMB53.0 million, RMB62.2 million and RMB11.3 million, respectively, representing 1.7%, 2.1%, 2.3% and 1.4% of our total purchases, respectively. For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, our sales to Supplier X amounted to RMB15.8 million, RMB30.1 million, RMB32.4 million and RMB6.4 million, respectively, representing 0.7%, 1.0%, 1.0% and 0.7% of our total sales, respectively. Supplier X specializes in the production and sales of admixtures, and thus purchased polycarboxylic admixtures mother liquor for its own production. The compounded admixtures we purchased from Supplier X were used mainly in ready-mixed concrete products in our highway construction projects. We leverage the strong reputation in technology of Supplier X as a complement to our high-performance concrete for highways, as well as technology communications on admixture production, such as trainings, research and development, so as to realize a mutual strength complements. As such, we adopted the above arrangement with Supplier X.

To the best knowledge of the Directors, save for the YCIH Group and Supplier X, the Group does not have any major customer who is also our supplier or vice versa during the Track Record Period and up to the Latest Practicable Date.

**SEASONALITY**

We usually record our lowest production volume and utilization rate from January to March due to the Chinese New Year, when the construction activities are less active than other months of the year. Certain climatic conditions, such as heavy or prolonged rainfall, also negatively affect market demand of our products because the level of activity in the construction industry is relatively low under those conditions.

**COMPETITION**

The commercial concrete industry in China is primarily a fragmented and regional industry. In Yunnan Province, the top five market participants (including us) accounted for 25.2% of the market share in terms of production volume in 2018, of which we held the dominant position with a total market share of 14.9%. We face competition from large-scale ready-mixed concrete producers (with production volume of more than 1.0 million cubic meters in 2018) in Yunnan Province. The service area of these competitors is primarily in Kunming. In China, we are among the top ten largest ready-mixed concrete producers in terms of production volume in 2018. We compete with large-scale ready-mixed concrete producers who have coverage in certain areas in the PRC. These competitors are typically associated either with large-scale state-owned construction companies or national cement producers. The entry barrier of ready-mixed concrete includes technology strength, ability in management of production and large-scale products supply; customer resources and experiences in various projects; and ability in financing and management of cash flow. Our Directors believe that under current market conditions, a concrete producer's success depends primarily on its ability to maintain a stable supply of high quality products, its efficiency in managing production and transportation costs, and its ability to develop high-tech products. Concrete is a process product, and it thus requires a more complete and professional production and delivery process as compared to other products requiring immediate delivery. We believe one of the traits that distinguishes us from our major competitors is our rich experience and high professional competency in the concrete production industry.

**INTELLECTUAL PROPERTY**

We rely on a combination of patents, trademarks, domain name registrations and contractual restrictions to establish and protect our intellectual property rights.

**Trademarks**

As of the Latest Practicable Date, we had applied 25 trademarks in the PRC which we consider to be material or potential material to our business. Please refer to the section headed "Appendix VI – Statutory and General Information – 3. Further Information About Our Business – B. Intellectual Property Rights – (d) Trademarks" for more details. We plan to enhance our brand and reputation by applying those trademarks on our products.

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### Patents

As of the Latest Practicable Date, we had obtained seven invention patents and 32 patents for utility models in China, most of which are related to our production process. Please refer to the section headed “Appendix VI – Statutory and General Information – 3. Further Information About Our Business – B. Intellectual Property Rights – (a) Patents” for more details.

### Software Copyrights

As of the Latest Practicable Date, we owned the registered copyright of two pieces of software, namely ERP Production Management System V1.0 (雲南建投矽ERP管理系統軟件V1.0) and Batching Plant Waste Residue Recycling Management System V1.0 (攪拌站廢渣循環利用控制系統軟件V1.0). Please refer to the section headed “Appendix VI – Statutory and General Information – 3. Further Information About Our Business – B. Intellectual Property Rights – (c) Software copyrights” for more details.

### Domain Name

As of the Latest Practicable Date, we had registered one domain name, **ynhnt.com**. Please refer to the section headed “Appendix VI – Statutory and General Information – 3. Further Information About Our Business – B. Intellectual Property Rights – (b) Domain name” for more details.

### Intellectual Property Disputes

During the Track Record Period and up to the Latest Practicable Date, we were not involved in any proceedings with regard to, and we have not received notice of any claims of, infringement of any intelligent property rights that may be threatened or pending in which we may be involved either as a claimant or respondent, which may in turn materially and adversely affect our business, financial position and results of operations.

### Confidentiality and Non-competition

We enter into confidentiality and non-competition agreements with our research and development personnel, which set out the confidentiality undertakings, duration and area of non-competition restrictions, non-competition obligations and liabilities for breaching the contract.

### QUALITY CONTROL

We impose stringent quality control standards for our production processes from the purchase of raw materials to the delivery of finished products.

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The quality and technology department and the central laboratory are responsible for monitoring the quality of our raw materials, standardization of our production processes and product quality. As of April 30, 2019, the product quality control system had 44 staff, of which one had doctoral degree, five had master's degrees, 31 had bachelor's degrees, one was a qualified principal senior engineer, two were qualified senior engineers, 25 were qualified engineers and 16 were qualified assistant engineers. In addition to routine inspections and technical guidance services, the quality and technology department and the central laboratory have formulated internal quality control measures and standards, which cover various aspects of our production process so as to ensure a consistent quality of our products. These measures and standards include, amongst others, the Management Measures for Quality Technology (《質量技術管理辦法》), the Management Measures for Raw Materials (《原材料管理辦法》), the Principal for Appraisal and Handling of Defective Products (《不合格品評審及處理原則》), the Management Measures for Proportions (《配合比管理辦法》), the Measures for the Supervision and Management of Product Quality Process (《產品質量過程監督管理辦法》), the Measures for the Assessment of Quality and Technical Management (《質量技術管理考核辦法》) and the Measures for the Administration of Quality Accidents (《質量事故管理辦法》), etc.). Set out below are our major quality control procedures:

- *Raw materials quality.* When purchasing new materials or materials from new suppliers, generally, our central laboratory or subsidiaries' quality and technology department will conduct tests on each of their indicators, and the procurement can be carried out only if all indicators meet the requirements. The laboratories of our batching plants conduct routine inspections and sample tests on raw materials used in the production process, including cement, additives, aggregates and admixtures when they are being stored and before they are used to ensure such materials comply with the prescribed quality standards.
- *Mix proportion management.* The quality and technology departments at our subsidiary level design the theoretical proportions and prepare a proportion design specification in accordance with contract requirements and technical requirements of any irregular concrete, taking into account relevant national standards and industrial standards. The mix proportion design specification is checked by the central laboratory and then submitted to the person in charge for approval, after which the trial mix and verification work will be conducted and a mix proportion determination report will be submitted to the central laboratory and approved by the person in charge.
- *Production process.* We strengthen our process control of different stages of the production process, including implementation of mix proportions, production and mixing, batch charging error control and pre-delivery work performance tests, so as to ensure the production process meets the prescribed quality standards.
- *Product quality.* The quality and technology department at our subsidiary level perform product quality follow-up services to ensure that the finished products comply with quality standards.



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During the Track Record Period, we did not experienced any material complaints with respect to defective products.

### HEALTH AND SAFETY

We are committed to our health and safety protection standards and regularly review our systems to ensure production safety.

We regard occupational health and safety as one of our important social responsibilities. Our business operations involve mechanical processes, use of electricity, loading and transportation processes. As a result, our employees may face risks of various work-related injuries and accidents. We place significant emphasis on safety control to minimize incidents during our manufacturing process that could result in injuries or fatalities.

Our production safety department is responsible for the management of production health and safety. Protection gear, including safety helmets, dusk masks, earplugs, protective shoes, protective gloves and safety ropes are required to be provided to our workers. Some of our subsidiaries have already been accredited with the OHSAS18001 (職業健康安全管理體系認證證書), and the OHSAS18000 accreditation process for some of our subsidiaries is in preparation. We aim to have all of our subsidiaries accredited by OHSAS18000.

We have implemented a system to handle safety related incidents. Our employees are required to make an immediate report upon the occurrence of an incident as well as to assist in mitigating the impact of the incident. We categorize incidents based on type and allocate the responsibilities among different departments. Safety incidents are categorized into four levels by severity: ordinary, relatively serious, serious and extraordinarily serious. We handle incidents differently depending on the category of the incident. After the incident, we also investigate its cause, evaluate its impact, and prepare a formal report for scrutiny and record.

During the Track Record Period, no material safety incident occurred in our business operation. Our PRC Legal Advisers have confirmed that we have not been subject to any material administrative penalties due to violation of laws and regulations related to health and safety.

### INSURANCE

We take out the compulsory traffic insurance and commercial insurance for the vehicles we own. We also purchase pension insurance, medical insurance, unemployment insurance, work injury insurance, maternity insurance and personal accident insurance for our employees. In addition, we have purchased employer liability insurance, which mainly covers liabilities arising from injuries, disabilities or deaths caused by work-related accidents or occupational diseases.

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## BUSINESS

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Consistent with what we believe to be customary practice in China, we do not carry fire, flooding or other property insurance for our production facilities, or any third-party liability insurance to cover claims in respect of personal injury or property or environmental damage arising from accidents on our properties or relating to our properties or operations, nor do we carry any business interruption insurance or key-man life insurance on our key employees. For details, please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry – We may be subject to liabilities in connection with accidents arising from our business and operations, which may not sufficiently covered by our insurance”.

Our Directors believe that we maintain sufficient insurance coverage that is consistent with our risk of loss and with industry practice. We will continue to examine and evaluate the risks of our Company, and will make necessary and appropriate adjustments to our insurance policies according to our needs and the customary practice in the PRC.

### **RISK MANAGEMENT AND INTERNAL CONTROL**

We have implemented various risk management policies and measures to identify, assess and manage risks arising from our operations. Details on risk categories identified by our management, our internal reporting mechanisms, our remedial measures and our contingency management have been codified in our policies. The internal rules and policies that we have developed and that govern and guide our operations include marketing management measures, accounting manuals, intellectual property management measures, recruitment management regulations, information disclosure measures, a connected transactions management system, and document management measures. In particular, for quality control, we have developed supplier management measures, procurement and bidding management procedures, safety risk assessment and management rules, and other internal rules.

To monitor the ongoing implementation of our risk management policies and corporate governance measures after the Global Offering, we have adopted or will adopt, among other things, the following risk management and internal control measures:

- the establishment of an audit committee responsible for overseeing our financial records, internal control procedures. Please refer to the section headed “Directors, Supervisors and Senior Management – Board Committees – Audit Committee” for the qualifications and experience of these committee members as well as a detailed description of the responsibility of our audit committee;
- the establishment of a risk management and control committee consisting of seven Directors. Mr. Liu Guangcan currently serves as the chairman of the Risk Management Committee. The Risk Management Committee is responsible for reviewing our risk management systems, carrying out risk assessment and risk analysis, and supervising our daily risk management. Our Internal Audit Department will conduct audits based on the annual audit plan developed at the beginning of the fiscal year. It will focus on developing and implementing the systems, identifying and assessing weaknesses, and providing corresponding recommendations;

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## BUSINESS

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- the appointment of Ms. Xu Airong as our chief financial officer and Mr. Rao Ye and Ms. Wong Sau Ping as our joint company secretaries to ensure the compliance of our corporate governance principles. For their biographical details, please refer to the section headed “Directors, Supervisors and Senior Management”;
- the appointment of Alliance Capital Partners Limited as our compliance adviser upon Listing to advise us on compliance with the Hong Kong Listing Rules; and
- the engagement of external legal advisers to advise us on compliance with the Hong Kong Listing Rules and to ensure our compliance with relevant regulatory requirements and applicable laws, where necessary.

These internal rules and policies cover our comprehensive risk management and internal control systems through which we can monitor, assess and manage the financial, operational, compliance and legal risks to which our business activities are exposed.

### LICENSES AND PERMITS

According to the relevant PRC laws and regulations, we are required to obtain and maintain various certificates, licenses and permits in relation to our operations. Our Directors and our PRC Legal Adviser confirm that, as of the Latest Practicable Date: (i) our Group had obtained all material certificates, licenses, permits and approvals required for our business operations; and (ii) such licenses, permits, and certificates were valid and subsisting.

Set out below are details of our material licenses and permits as of the Latest Practicable Date:

<u>License/Permit</u>	<u>Holder</u>	<u>Certificate/ Permit Number</u>	<u>Granting Authority</u>	<u>Expiry Date</u>
Construction Enterprise Qualification Certificate	Our Company	D253018416	Yunnan Provincial Department of Housing Urban-rural Development	June 16, 2021
	Baoshan Building Material	D353530776	Baoshan Municipal Bureau of Housing Urban-rural Development	July 7, 2022
	Yuxi Building Material	D353550624	Yuxi Municipal Bureau of Housing Urban-rural Development	December 20, 2023

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<u>License/Permit</u>	<u>Holder</u>	<u>Certificate/ Permit Number</u>	<u>Granting Authority</u>	<u>Expiry Date</u>
	Qujing Building Material	D353019263	Qujing Municipal Bureau of Housing Urban-rural Development	April 26, 2021
	14th Metallurgical New Material Company	D353000921	Kunming Municipal Bureau of Housing Urban-rural Development	January 4, 2021

## EMPLOYEES

As of April 30, 2019, we employed a total of 1,170 full time employees who were all located in Yunnan Province. A breakdown of our employees by function is shown below:

<u>Function</u>	<u>Number of Employees</u>	<u>Percentage</u>
Management	131	11.2%
Production management	320	27.4%
Quality technology	354	30.3%
Procurement	115	9.8%
Marketing	85	7.3%
Administration and finance	161	13.8%
Others	4	0.3%
<b>Total</b>	<b>1,170</b>	<b>100%</b>

We recruit employees from various sources, including university graduates, internal position reallocations and promotions, and public and internet advertisement. Before the employees assume their positions, we generally provide training courses for them to develop relevant skills required for their positions and to be introduced to our company culture and internal rules and regulations. We also provide courses for our employees with respect to production, technology and safety to update their working knowledge and skills.

The salaries of our employees are mainly dependent on seniority and work performance, and their total compensation includes basic salaries, wages, allowances, performance-based bonuses and other benefits. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our total employee benefit expenses were approximately RMB195.1 million, RMB229.7 million, RMB253.9 million and RMB76.4 million, respectively.

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As of June 30, 2019, we engaged 116 independent contractors through third-party human resource agencies. There is no employment contractual relationship between the independent contractors and us, and the independent contractors enter into labor contracts with the relevant third-party human resources agencies. The third-party human resource agencies are responsible for making social security contributions for these independent contractors. We, in turn, reimburse these third-party human resource agencies for such expenditures for the contractors and make salary payments to the contractors with the authorization of the third-party human resource agencies.

We have established a labor union in accordance with relevant regulations in the PRC. Our union actively provides benefits to employees, strives to protect our employees' legal rights and provides relief to employees in need; it also organizes cultural and sports activities for our employees. During the Track Record Period and up to the Latest Practicable Date, we did not have any material labor dispute with or suffer any strike by our employees.

Under PRC law, we make contributions to pension funds, medical insurance, unemployment insurance, work-related injury insurance, maternity insurance and housing funds for our employees. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, we contributed to the abovementioned employee benefits in the amount of approximately RMB19.0 million, RMB27.4 million, RMB49.2 million and RMB18.8 million, respectively, for our employees.

### AWARDS AND RECOGNITION

Set out below are details of the material awards and recognitions of or attributable to us:

<u>Time</u>	<u>Award/Accreditation</u>	<u>Awarding Organization</u>
May 2019	China's Top Ten Commercial Mixed Concrete Enterprise of the year 2018 (2018年中國商品混凝土企業十強)	China Concrete Website (中國混凝土網)
June 2018 and February 2015	Second Prize of Technology Progress Award (科學技術進步獎二等獎)	Government of Yunnan Province (雲南省人民政府)
May 2018	China's Top Ten Commercial Mixed Concrete Enterprise of the year 2017 (2017年度中國商品混凝土企業十強)	China Concrete Website (中國混凝土網)

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Time	Award/Accreditation	Awarding Organization
December 2017	Third Prize of Technological Innovation Achievement (中國建築業協會建設工程施工技術創新成果獎三等獎)	China Construction Industry Association (中國建築業協會)
November 2017 and October 2011	Second Prize of Scientific and Technological Innovation Achievement of Science and Technology Award of China Association of Construction Enterprise Management (中國施工企業管理協會科學技術獎科技創新成果二等獎)	China Association of Construction Enterprise Management (中國施工企業管理協會)
May 2017 and May 2016	China's Top Ten Ready-mixed Concrete Enterprise (中國預拌混凝土企業十強)	China Concrete Website (中國混凝土網)
April 2015	China's Top Ten Ready-mixed concrete Enterprise of the year 2014 (2014年度中國預拌混凝土十強企業)	China Concrete & Cement-based Products Association (中國混凝土與水泥製品協會)
March 2013, March 2006 and June 2004	Third Prize of Technology Progress Award (科學技術進步獎三等獎)	Government of Yunnan Province (雲南省人民政府)
October 2009	First Prize of Scientific and Technological Innovation Achievement (中國施工企業管理協會科學技術獎技術創新成果一等獎)	China Association of Construction Enterprise Management (中國施工企業管理協會)
March 2005	Third Prize of National Green Architecture Innovation (全國綠色建築創新獎三等獎)	Ministry of Construction of the PRC

## PROPERTY

As of the Latest Practicable Date, no single property interest forming part of our non-property activities had a carrying amount of 15% or more of our total assets. Accordingly, we are not required by Chapter 5 of the Hong Kong Listing Rules to value or include in this prospectus any valuation report of our property interests. As such, according to section 6(2) of Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong), this prospectus is exempted from compliance with the requirements of section 342(1)(b) under paragraph 34(2) of the Third Schedule to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, which requires us to include a valuation report for all of our interests in land or buildings.

**Owned Property*****Land***

As of the Latest Practicable Date, we held land use rights for one parcel of land with an aggregate site area of 57,814.7 square meters. The expiry date of such land use rights is February 10, 2060. We use this parcel of land mainly for the purpose of our business operations or hold it for future development.

***Buildings***

As of the Latest Practicable Date, we occupied four buildings, all of which are located in Kunming, Yunnan Province, and we have obtained building ownership certificates for three buildings with an aggregate GFA of 952.6 square meters. We have built one concrete production base (including buildings and certain production facilities) on the abovementioned self-owned land with an aggregate GFA of 25,848.6 square meters, for which we had obtained the planning permit and are currently in the process of obtaining the construction permit. Since we commenced our construction of the building without obtaining a planning permit for construction and construction permit, a total penalty of RMB1.6 million was imposed on us by the relevant government authorities, which was settled in full as of the Latest Practicable Date. On April 1, 2019, the relevant government authorities issued a certificate confirming that we had fully rectified this situation and were in the process of obtaining the planning and construction permits. As advised by our PRC Legal Advisers, based on this certificate as well as considering the total amount of the fine, this action does not constitute a material violation of the relevant PRC laws and regulations. The competent authority issued the confirmation to acknowledge the duly receipt of the relevant application and confirm that the application process of obtaining the planning and construction permits was on-going in accordance with relevant laws and regulations. In addition, up to the Latest Practicable Date, we had not been ordered by any relevant government authorities to supplement any materials or take any further actions in respect of our application. Based on the above, our PRC Legal Advisers further advise us that there is no material legal impediment for us to complete the legal procedure for construction or obtain the ownership certificate. Furthermore, based on this conclusion, our Directors believe that the absence of the ownership certificate will not have material adverse impact on our continuing operations as a whole.

**Leased Property*****Land***

As of the Latest Practicable Date, we leased 62 parcels of lands with an aggregate GFA of 857,795.2 square meters. These parcels of lands were used for our batching plants.

As of the Latest Practicable Date, the lessors of 19 parcels of our leased land, with an aggregate site area of 180,197.7 square meters, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the land to us. As a result,

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## BUSINESS

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these leases may not be valid, and there are risks that we may not be able to continue to use such land if the rightful owner claims or any other third parties challenges our use of such land. In the event of such claim or challenge, we believe that if we are required to move, we are able to locate suitable alternative land within the proximate area without incurring substantial amount of additional costs nor imposing any material adverse effect on our business, financial condition and results of operations. Furthermore, our PRC Legal Advisers have confirmed that in the event of such claim or challenge by any other third parties, the Company may claim damages for breach of contract against the lessors based on relevant lease agreements and the Contract Law of the PRC (《中華人民共和國合同法》). Based on the above, our PRC Legal Advisers have confirmed that the above circumstance will not have significant adverse impact on our overall operation.

The majority of our leased land is used for our concrete batching plants. As ready-mixed concrete must be delivered to the customers' construction sites within a short period of time, our concrete batching plants need to be located close to the end users (usually within approximately 30 kilometers) and thus they may be relocated from time to time to serve the market demand. If the surrounding markets were saturated and new projects were to be developed elsewhere, we may consider relocating our concrete batching plants to fulfill the concrete demand for new projects. Due to the nature of the concrete production business, we believe it is not crucial for our concrete batching plants to be located on land with long-term leasing arrangements or long-term land use rights.

### ***Buildings***

As of the Latest Practicable Date, we rented 21 buildings with an aggregated GFA of 24,747.7 square meters. We use these buildings mainly for purposes of offices, worker accommodations and ancillary facilities of batching plants.

As of the Latest Practicable Date, the lessors of nine buildings, with an aggregated GFA of 13,631.0 square meters, had not provided us with valid title certificates or relevant authorization documents evidencing their rights to lease the buildings to us (among which, the lessors of four buildings had obtained a planning permit for construction or a provisional planning permit for construction issued by the competent authorities). As a result, these leases may not be valid, and there are risks that we may not be able to continue to use such buildings. We believe that in the event that the relevant rightful title holders or other third parties challenge our use of such leased buildings and we are required to move, we are able find suitable alternative properties within the proximate area, without incurring substantial additional costs nor imposing any material adverse effect on our business, financial condition and results of operations. Furthermore, our PRC Legal Advisers have confirmed that in the event of such claim or challenge raised by any other third parties, the Company may claim damages for breach of contract against the lessors based on relevant lease agreements and the Contract Law of the PRC (《中華人民共和國合同法》), and claim for damages based on the commitment letters issued by some lessors. Based on the above, our PRC Legal Advisers have confirmed that the above circumstance will not have a significant adverse impact on our overall operation.



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## **BUSINESS**

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As of the Latest Practicable Date, we had not registered or filed the lease agreement for such buildings with the relevant housing administrative authorities. Our PRC Legal Advisers have confirmed that pursuant to applicable PRC judicial interpretations, non-registration and non-filing of the lease agreements will not affect the validity of the lease agreements. However, the relevant housing administrative authorities may require us to complete registration within a specified timeframe, or impose fines ranging between RMB1,000 and RMB10,000 for any delay for the specified timeframe in making the necessary registration pursuant to applicable PRC laws and regulations. During the Track Record Period and up to the Latest Practicable Date, we had not been ordered by any authorities to register any of the unregistered lease agreements, or been punished by relevant housing administrative authorities. Furthermore, the abovementioned fines were minimal as compared with our net assets as of April 30, 2019. Based on the above, our PRC Legal Advisers have confirmed that failing to go through registration and filing procedures of leased buildings will not have significant adverse impact on our overall operation.

### **REGULATORY COMPLIANCE AND LEGAL PROCEEDINGS**

We may be involved in legal proceedings in the ordinary course of business from time to time. During the Track Record Period and up to the Latest Practicable Date, neither we nor any of our Directors were involved in any litigation, arbitration or administrative proceedings which could have a material adverse impact on our business, financial condition or results of operations. As of the Latest Practicable Date, we were not aware of any pending or threatened litigation, arbitration or administrative proceedings against us or our Directors which may have a material and adverse impact on our business, financial condition or results of operations.

We do business mainly in the PRC, and are therefore subject to relevant restrictions under PRC regulations. Our Directors and our PRC Legal Advisers have confirmed that, during the Track Record Period and up to the Latest Practicable Date, we have complied with relevant regulations and guidelines in all material aspects and have obtained all material qualifications and licenses required for our business operations in accordance with PRC laws and regulations.

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## CONNECTED TRANSACTIONS

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### CONNECTED PERSONS

Upon the Listing, the following entities with whom we have entered into certain transactions in our ordinary and usual course of business will become our connected persons:

- **Our Controlling Shareholders and their Associates**

Immediately upon completion of the Global Offering (assuming that the Over-allotment Option is not exercised), our Company will continue to be controlled by our Controlling Shareholders, and our Controlling Shareholders and their respective associates will become our connected persons. Please also refer to the section headed “Relationship with Our Controlling Shareholders”.

As of the Latest Practicable Date, YCIH Financial Company is a non-wholly-owned subsidiary of YCIH. Upon the Listing, YCIH Financial Company will become our connected person.

- **Yongchang Investment**

As of the Latest Practicable Date, Yongchang Investment held 50% equity interest in Baoshan Building Material, a subsidiary of our Company. Upon the Listing, Yongchang Investment will become our connected person at our subsidiary level.

Upon the Listing, the transactions between the Group and our connected persons will constitute our connected transactions or continuing connected transactions under Chapter 14A of the Hong Kong Listing Rules.

### SUMMARY OF CONTINUING CONNECTED TRANSACTIONS

The following table sets forth a summary of our continuing connected transactions:

#### Exempt Continuing Connected Transactions

<u>Nature of transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver sought</u>
Property Leasing Contract with Yongchang Investment	14A.76(1)(b)	N/A

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## CONNECTED TRANSACTIONS

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### Non-exempt Continuing Connected Transactions

*A. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirement*

<u>Nature of transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual cap for each of the three years ending December 31, 2021</u>
			<i>(RMB million)</i>
Land and Property Leasing Framework Agreement with YCIH	14A.34, 14A.35, 14A.49, 14A.51, 14A.52, 14A.53-59, 14A.71, 14A.76(2)(a) and 14A.105	Announcement requirement	2019:5.56 2020:5.56 2021:5.56

*B. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements*

<u>Nature of transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver sought</u>	<u>Proposed annual cap for each of the three years ending December 31, 2021</u>
			<i>(RMB million)</i>
Products Sales Framework Agreement with YCIH	14A.34, 14A.35, 14A.36, 14A.49, 14A.51, 14A.52, 14A.53-59, 14A.71 and 14A.105	Announcement and independent shareholders' approval requirements	2019:2,555 2020:2,706 2021:2,872

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**CONNECTED TRANSACTIONS**

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<u>Nature of transaction</u>	<u>Applicable Hong Kong Listing Rules</u>	<u>Waiver sought</u>	<b>Proposed annual cap for each of the three years ending December 31, 2021</b>
			<i>(RMB million)</i>
Raw Materials, Products and Services Procurement Framework Agreement with YCIH	14A.34, 14A.35, 14A.36, 14A.49, 14A.51, 14A.52, 14A.53-59, 14A.71 and 14A.105	Announcement and independent shareholders' approval requirements	2019:200 2020:249 2021:244
			<b>Proposed cap for the initial term of the Financial Services Framework Agreement</b>
			<i>(RMB million)</i>
Financial Services Framework Agreement with YCIH Financial Company	14A.34, 14A.35, 14A.36, 14A.49, 14A.51, 14A.52, 14A.53-59, 14A.71 and 14A.105	Announcement and independent shareholders' approval requirements	
Deposits services – maximum daily balance (including interest accrued thereon)			280
Bills acceptance and discount			100
Assistance in fund receipt and payment			1.5
Other business approved by the CBIRC			2.3

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## CONNECTED TRANSACTIONS

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### EXEMPT CONTINUING CONNECTED TRANSACTIONS

The following transaction has been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratios (other than the profit ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will not exceed 1% on an annual basis. Such transaction will be exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1)(b) of the Hong Kong Listing Rules.

#### **Property Leasing Contract with Yongchang Investment**

##### *Parties*

- (i) Baoshan Building Material (the lessee), and
- (ii) Yongchang Investment (the lessor).

##### *Principal terms*

Baoshan Building Material entered into a property leasing contract (the “**Property Leasing Contract**”) on November 20, 2017 with Yongchang Investment, pursuant to which Baoshan Building Material leases three standalone buildings for staff accommodation purpose from Yongchang Investment for a term of three years at an annual rental of RMB18,000.

##### *Reasons for the transaction*

Yongchang Investment has certain idle buildings which are only approximately 2.5 km away from the office location of Baoshan Building Material. Baoshan Building Material is in need of staff accommodation space in its day-to-day operation. As such, Baoshan Building Material leases such buildings from Yongchang Investment for staff accommodation purpose for a term of three years at an annual rental of RMB18,000.

##### *Historical transaction amounts*

The transaction amount in relation to the lease of properties under the Property Leasing Contract for each of the three years ended December 31, 2018 and the four months ended April 30, 2019 was RMB18,000, RMB18,000, RMB18,000 and RMB6,000, respectively.

##### *Expected annual transaction amounts*

The expected annual transaction amount for the transactions under the Property Leasing Contract for each of the three years ending December 31, 2019, 2020 and 2021 is RMB18,000, RMB18,000 and RMB18,000, respectively.

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## CONNECTED TRANSACTIONS

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### NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

#### **A. Continuing connected transactions subject to the reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirement**

The following transactions have been and will be entered into in the ordinary and usual course of business of the Group and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be more than 0.1% but less than 5% on an annual basis. Such transactions will be subject to reporting, annual review and announcement requirements but exempt from strict compliance with the independent shareholders' approval requirements under Rule 14A.76(2)(a) of the Hong Kong Listing Rules.

##### ***1. Land and Property Leasing Framework Agreement with YCIH***

###### *Parties*

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

###### *Principal terms*

Our Company entered into the Land and Property Leasing Framework Agreement on September 25, 2019 with YCIH, pursuant to which we may lease land and property lawfully owned by YCIH and/or its associates. As of the Latest Practicable Date, the land and properties leased from YCIH and/or its associates included:

- (i) two pieces of land in Kunming where two batching plants of our Group are located to serve the regional market, covering an area of 16 mu and 42 mu, respectively;
- (ii) one property in Kunming leased for use as our headquarters office, with an aggregate GFA of 4179.61 m<sup>2</sup>;
- (iii) one property in Kunming leased for use as our staff canteen, with an aggregate GFA of 565.84 m<sup>2</sup>; and
- (iv) one property in Zhaotong leased for use as our office, with an aggregate GFA of 2075.26 m<sup>2</sup>.

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## CONNECTED TRANSACTIONS

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The principal terms of the Land and Property Leasing Framework Agreement are as follows:

- (i) the initial term of the Land and Property Leasing Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to early termination by either party giving at least 30 business days' prior written notice to the other party. Parties can renew the Land and Property Leasing Framework Agreement by mutual agreement in accordance with the principle of good faith upon expiration of the term, provided that the requirements under Chapter 14A of the Hong Kong Listing Rules and all other applicable laws and regulations are complied with; and
- (ii) during the term of the Land and Property Leasing Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific leasing transactions to be carried out in accordance with the principles and terms of the Land and Property Leasing Framework Agreement in all material aspects.

### *Pricing guideline*

Under the Land and Property Leasing Framework Agreement, the rentals and other charges shall be determined as follows:

- both parties shall refer to the prevailing market rates of similar land and properties in the neighboring area of the relevant land and properties, and determine the rentals with reference to such market rates to ensure a fair and reasonable rental level on normal commercial terms;
- both parties shall review and adjust (if applicable) rentals upon the renewal of the Land and Property Leasing Framework Agreement by reference to the prevailing market conditions, including factors like the geographical location, the standard of construction and the surrounding area; and
- we shall bear all utility charges incurred in using the relevant properties during the term of the lease, and also be responsible for costs for maintenance and repair of the land and properties.

## CONNECTED TRANSACTIONS

### *Historical transaction amounts*

The historical transaction amounts for the leasing of land and property from YCIH and its associates for each of the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 are set out as follows:

	<b>Historical Transaction Amounts</b>			
	<b>Year ended December 31,</b>			<b>Four months ended April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>			

Leasing of land and property from YCIH and its associates	3.06	4.45	5.31	1.16
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### *Annual caps and basis*

The annual caps for the leasing of land and property from YCIH and its associates contemplated under the Land and Property Leasing Framework Agreement for each of the three years ending December 31, 2019, 2020 and 2021 are set out as follows:

	<b>Annual Caps</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB million)</i>		

Leasing of land and property from YCIH and its associates	5.56	5.56	5.56
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In arriving at the annual caps, our Directors considered the following factors: (i) the historical transaction amounts for the Track Record Period; (ii) the expected annual rental of the leased land and properties with their covering area/GFA multiplied by their respective unit rates with reference to the market rates; and (iii) the expected increase of demand in leased office area as a result of expansion of our business operations in the future.

### *Reasons for and benefits of entering into the Land and Property Leasing Framework Agreement*

The Group had been leasing the land and properties from YCIH and its associates for use in its ordinary and usual course of business during the Track Record Period. Given that they will be carried out on normal commercial terms, the continuing of the transactions under the Land and Property Leasing Framework Agreement after the Listing will ensure smooth business operations and save administrative costs.



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## CONNECTED TRANSACTIONS

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### **B. Continuing connected transactions subject to the reporting, annual review, announcement and independent shareholders' approval requirements**

The following transactions have been carried out and will be entered into in our ordinary and usual course of business and on normal commercial terms or better, and our Directors expect that the highest applicable percentage ratio (other than the profit ratio) calculated for the purpose of Chapter 14A of the Hong Kong Listing Rules will be more than 5% on an annual basis. Such transactions will be subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules.

#### ***1. Products Sales Framework Agreement with YCIH***

##### *Parties*

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

##### *Principal terms*

Our Company entered into the Products Sales Framework Agreement on September 25, 2019 with YCIH, pursuant to which the Group will sell concrete, aggregates and other products to YCIH and its associates. The principal terms of the Products Sales Framework Agreement are as follows:

- (i) the initial term of the Products Sales Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to early termination by either party giving at least 30 business days' prior written notice to the other party. Parties can renew the Products Sales Framework Agreement by mutual agreement in accordance with the principle of good faith upon expiration of the term, provided that the requirements under Chapter 14A of the Hong Kong Listing Rules and all other applicable laws and regulations are complied with; and
- (ii) during the term of the Products Sales Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific sales transactions to be carried out in accordance with the principles and terms of the Products Sales Framework Agreement in all material aspects.

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## CONNECTED TRANSACTIONS

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### *Pricing guideline*

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

- (i) the price shall be determined in accordance with the pricing policy and guidelines adopted and regularly reviewed by our Company for sales of products to all customers with reference to upstream materials and products prices and other costs, and be generally in line with the relevant market prices at which the same type of products provided by us to an Independent Third Party on normal commercial terms; to determine the prevailing market prices, reference will be made to the price we offer to the Independent Third Party customers for the same type of products; the following factors will also be taken into account to determine the market prices: payment terms, the specific requirements of the parties, the quality of the products required and the geographical areas where our products are provided, etc., to ensure the prices will be no less favorable to our Company than those of same type of products we provide to the Independent Third Party customers; and
- (ii) in the unlikely event that no comparable market price can be taken, experts in our Group with sufficient industry experience could 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 our Company and no less favorable to our Company than the price we offer to the Independent Third Party customers.

### *Historical figures*

The historical transaction amounts for sales of products to YCIH and its associates for each of the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 are set out as follows:

	<b>Historical Transaction Amounts</b>			
	<b>Year ended December 31,</b>			<b>Four months ended April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>			
Sales of products to YCIH and its associates	1,956.74	2,618.00	2,459.81	576.46

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## CONNECTED TRANSACTIONS

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### *Annual caps and basis*

The annual caps for sales of products to YCIH and its associates contemplated under the Products Sales Framework Agreement for each of the three years ending December 31, 2019, 2020 and 2021 are set out as follows:

	<b>Annual Caps</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB million)</i>		
Sales of products to YCIH and its associates	2,555	2,706	2,872

In arriving at the annual caps, our Directors generally consider the following factors: (i) historical transaction amounts for the Track Record Period; (ii) the expected growth in our sales of products taking into account the growth and development of infrastructure and real estate sectors in Yunnan Province, which will increase our total revenue for the three years ending December 31, 2021; (iii) expected sales to YCIH and its associates for the year ending December 31, 2019, based on the transaction amounts for outstanding contract value and contracts to be newly signed; and (iv) even though our Directors believe that it is not prejudicial to the interests of our Company and the Shareholders as a whole to maintain a stable proportion of sales of products to YCIH and its associates at the current level, our Company targets to further reduce the proportion of sales to YCIH and its associates to a lower level for the three years ending December 31, 2021. As a result of the above, the annual caps for the three years ending December 31, 2021 have been set at a steady rate of increase.

### *Reasons for and benefits of entering into the Products Sales Framework Agreement*

In the ordinary and usual course of our business, the Group sells concrete and aggregates to YCIH and its associates. The Directors are of the view that such transactions 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, we believe that we have mutual understanding with YCIH 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 have the capabilities to provide reliable and sufficient supply to meet the substantial needs of YCIH and its associates in their construction business operations as the largest construction enterprise in Yunnan Province according to the CIC Report. 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.

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## CONNECTED TRANSACTIONS

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- (iii) While the independent customers of the Group 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 as it is a state-owned enterprise in the PRC. Also, by supplying its products to YCIH and its associates that often undertake high profile and demanding projects in Yunnan Province, our Company believes that it can build up its own profile and boost its reputation among its existing and potential customers.
- (iv) The prices and terms for the sales of products by the Group to YCIH and its associates would be no less favorable to our Company than those we offer to Independent Third Party customers.

### **2. Raw Materials, Products and Services Procurement Framework Agreement with YCIH**

#### *Parties*

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

#### *Principal terms*

Our Company entered into the Raw Materials, Products and Services Procurement Framework Agreement on September 25, 2019 with YCIH, pursuant to which 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 our production operations; and
- (iii) Services: construction services, property management services and consultancy services, etc.

The other principal terms of the Raw Materials, Products and Services Procurement Framework Agreement are as follows:

- (i) the initial term of the Raw Materials, Products and Services Procurement Framework Agreement will commence on the Listing Date and end on December 31, 2021, subject to early termination by either party giving at least 30 business days' prior written notice to the other party. Parties can renew the Raw Materials, Products and Services Procurement Framework Agreement by mutual agreement in accordance with the principle of good faith upon expiration of the term, provided that the requirements under Chapter 14A of the Hong Kong Listing Rules and all other applicable laws and regulations are complied with; and

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## CONNECTED TRANSACTIONS

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- (ii) during the term of the Raw Materials, Products and Services Procurement Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific procurement transactions to be carried out in accordance with the principles and terms of the Raw Materials, Products and Services Procurement Framework Agreement in all material aspects.

### *Pricing guideline*

Under the 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 relevant market price at which the same type of raw materials provided to us 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 rate of the relevant type of raw materials; and
- (ii) where public tendering process is required for the procurement of the relevant raw materials, the price shall be determined based on the results of such process in accordance with our 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, their terms offered, including the price quoted, shall be no less favorable than those offered by any Independent Third Party supplier that participates in the tendering process.

With respect to products:

- (i) the price shall be generally in line with the relevant market prices at which the same type of products provided to us by an Independent Third Party on normal commercial terms; to determine the prevailing market prices, 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 relevant products learned through market research, to ensure the prices will be no less favorable to our Company than those of same type of products provided to us by the Independent Third Party suppliers; and

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## CONNECTED TRANSACTIONS

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- (ii) where public tendering 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 our internal regulations and rules applicable to all suppliers of the same type of product. Pursuant to such regulations and rules, if YCIH and/or its associates win the bid, their terms offered, including the price quoted, shall be no less favorable than those offered by any Independent Third Party supplier that participates in the tendering process.

With respect to services:

- (i) the price of construction services shall be determined with reference to the pricing guideline and method as set out in the *Pricing Guidelines for Construction and Engineering of Yunnan Province (2013 Edition)* (《雲南省2013版建設工程造價計價依據》);
- (ii) the price of the property management services shall be determined with reference to the prevailing market rates and conditions in the neighboring area of the same type of property, including factors like the geographical location, the standard and quality of services and the condition of the property; and
- (iii) the price of consultancy services shall be determined with reference to the prevailing market rates at which the same type of services provided to us by an Independent Third Party on normal commercial terms.

### *Historical transaction 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, 2016, 2017 and 2018 and the four months ended April 30, 2019 are set out as follows:

	<b>Historical Transaction Amounts</b>			
	<b>Year ended December 31,</b>			<b>Four months ended</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>			
Procurement of raw materials, products and services from YCIH and its associates	222.67	266.63	189.94	31.03

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### *Annual caps and basis*

The annual caps for the procurement of raw materials, products and services from YCIH and its associates contemplated under the Raw Materials, Products and Services Procurement Framework Agreement for each of the three years ending December 31, 2019, 2020 and 2021 are set out as follows:

	<b>Annual Caps</b>		
	<b>2019</b>	<b>2020</b>	<b>2021</b>
	<i>(RMB million)</i>		
Procurement of raw materials, products and services from YCIH and its associates	200	249	244

In arriving at the annual caps, our Directors considered the following factors: (i) the historical transaction amounts for the Track Record Period; (ii) procurement demand in accordance with the Group's production plan and targets for each of the three years ending December 31, 2021 and expected level of procurement from YCIH and its associates; (iii) the expected production and supply capacity of YCIH and/or its relevant associates; (iv) an expected decrease in overall procurement demand with respect to production equipment, due to the plan of upgrade in the Group's production equipment and environmental protection facilities; (v) upgrade of the Group's existing batching plants and set up of new batching plants pursuant to our future business plans, which will require substantial amounts of construction services from YCIH and its associates; and (vi) the expected increase of demand in office area as a result of expansion of our business operations in the future.

### *Reasons for and benefits of entering into the Raw Materials, Products and Services Procurement Framework Agreement*

In the ordinary and usual course of our business, the Group procures raw materials, products and services from YCIH and its associates. The Directors are of the view that such transactions 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, we believe that we have 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 according to the CIC Report, 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

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## CONNECTED TRANSACTIONS

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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 is dedicated to providing professional property management services to properties of YCIH, which will ensure the quality and timeliness of the services.
- (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 our Company than those provided by Independent Third Party suppliers. In particular, where public tendering process is required for the selection of suppliers, YCIH and its associates shall go through the same process in accordance with our 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, their terms offered, including the price quoted, shall be no less favorable than those offered by any Independent Third Party supplier that participates in the tendering process.

### **3. *Financial Services Framework Agreement with YCIH Financial Company***

#### *Parties*

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

#### *Principal terms*

Our Company entered into the Financial Services Framework Agreement on October 15, 2019 with YCIH Financial Company, pursuant to which YCIH Financial Company has agreed to provide the following financial services and our Company has agreed to use some or all of such financial services depending on our own requirements:

- (i) deposits services;
- (ii) bills acceptance and discount;
- (iii) assistance in fund receipt and payment; and
- (iv) other business approved by the CBIRC.



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## CONNECTED TRANSACTIONS

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

- (i) The initial term of the Financial Services Framework Agreement will commence on the Listing Date and end on the earlier of: (a) the day which is one year after the Listing Date; and (b) the day on which our Company holds its next annual general meeting, subject to early termination by either party giving at least 30 business days' prior written notice to the other party. Parties can renew the Financial Services Framework Agreement by mutual agreement in accordance with the principle of good faith upon expiration of the term, provided that the requirements under Chapter 14A of the Hong Kong Listing Rules and all other applicable laws and regulations are complied with;
- (ii) During the term of the Financial Services Framework Agreement, the relevant parties will enter into individual agreements which specify and record the terms and provisions of the specific financial services transactions to be carried out in accordance with the principles and terms of the Financial Services Framework Agreement in all material aspects;
- (iii) Our Company has the right to choose the financial institution, type and amount of financial services as well as timing of transaction based on our own business needs and is not obligated to use the financial services to be provided by YCIH Financial Company; and
- (iv) YCIH Financial Company has undertaken to our Company that, during the term of the Financial Services Framework Agreement, it will provide the relevant financial services contemplated thereunder on the terms no less favorable than those provided by major domestic commercial banks with respect to the same type of financial services.

### *Pricing guideline*

- (i) Deposits services: the interest rates shall not be lower than the interest rates of the same type of deposits of major domestic commercial banks providing such services to our Company in the same period.
- (ii) Bills acceptance and discount services: the service fees or interest rates shall not be higher than those of the same type of services of major domestic commercial banks providing such services to our Company in the same period.
- (iii) Other financial services (comprising assistance in fund receipt and payment and other business approved by the CBIRC): the fees payable by our Company to YCIH Financial Company shall not be higher than those of the same type of services of major domestic commercial banks providing such services to our Company in the same period.

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## CONNECTED TRANSACTIONS

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### *Historical transaction amounts*

The historical transaction amounts for the provision of financial services by YCIH Financial Company to the Group for each of the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019 are set out as follows:

	<b>Historical Transaction Amounts</b>			
	<b>Year ended December 31,</b>			<b>Four months ended April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>(RMB million)</i>			
Deposits services				
– maximum daily balance (including interest accrued thereon)	242.60	283.90	238.85	223.85
Bills acceptance and discount	41.93	32.55	15.13	22.75
Assistance in fund receipt and payment	0.56	0.34	0.06	0.46
Other business approved by the CBIRC	0.00	0.00	0.80	0.00

### *Caps and basis*

	<b>Proposed Caps</b>
	<b>The period from the Listing Date to the earlier of i) one year from the Listing Date or ii) the date of the Company's next annual general meeting</b>
	<i>(RMB million)</i>
Deposits Services	
– maximum daily balance (including interest accrued thereon)	280
Bills acceptance and discount	100
Assistance in fund receipt and payment	1.5
Other business approved by the CBIRC	2.3

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In arriving at the proposed caps, our Directors considered the following factors:

With respect to deposits services: (i) historical maximum daily balance (including interest accrued thereon) for the Track Record Period with the highest historical amount reaching RMB283.90 million in 2017; and (ii) the future business expansion and needs for capital management of the Group.

With respect to bills acceptance and discount: (i) the business expansion of the Group and the corresponding increasing demand for bills acceptance and discount services with the total amount of bills acceptance and discount of the Group reaching approximately RMB101.25 million for the seven months ended July 31, 2019; (ii) the Group's intention to achieve faster capital recovery and improve fund utilization efficiency through using more bills acceptance and discounts services from YCIH Financial Company with which the Group is believed to maintain good relationship and may get favorable terms for such transactions; (iii) the amount of bills acceptance and discount services provided by YCIH Financial Company reaching RMB22.75 million for the four months ended April 30, 2019, already exceeding the total transaction amount for the whole year of 2018; and (iv) 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.

With respect to assistance in fund receipt and payment: (i) the amount of assistance in fund receipt and payment services provided by YCIH Financial Company reaching RMB0.46 million for the four months ended April 30, 2019; (ii) the future business expansion of the Group and the corresponding increasing demand for financial services; (iii) the anticipated business volume and net cash inflow of the Group (including the anticipated payments from the uncompleted contracts and new contracts); and (iv) YCIH Financial Company's capability of satisfying the needs of the Group for financial management services through development of its business over the years.

With respect to other business approved by the CBIRC: although we have not utilized substantial amount of such services provided by YCIH Financial Company historically, the Group expects to take advantage of the variety of services provided by YCIH Financial Company which is believed to possess the capability of satisfying the needs of the Group for financial management services through our cooperation over the years.

The Directors are of the view that, when proposing annual caps of continuing connected transactions, flexibility shall be taken into account to accommodate the maximum limits under various possibilities, in particular, for transactions with YCIH Financial Company, when YCIH Financial Company offers terms favorable to the Group as compared with major domestic commercial banks and it presents such as a safe, flexible and cost efficient option. However, as with the historical actual implementation of the continuing connected transactions, the Group and YCIH Financial Company will conduct continuing connected transactions in strict accordance with the actual demand for transaction volume and the actual transaction price.

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## CONNECTED TRANSACTIONS

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### *Reasons for and benefits of entering into the Financial Services Framework Agreement*

YCIH Financial Company is a non-bank financial institution and a subsidiary of YCIH. Through our previous cooperation with YCIH Financial Company, we believe that it understands our characteristics, capital structures, business operations, financing need, cash flow patterns and the entire financial management system. It provides services to the Group on equal or better commercial terms compared to those offered by major domestic commercial banks. In addition, as it is a major clearing and settlement platform of YCIH and its associates, we believe we could reduce costs and maximize efficiency by using the services from YCIH Financial Company.

YCIH Financial Company has undertaken to our Company that, during the term of the 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 with respect to the same type of financial services.

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 we retain discretion to make our selection according to our 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 our financial resources flexibly and efficiently.

Our Directors are of the view that the continuing transactions under the Financial Services Framework Agreement with YCIH Financial Company are in the interests of our Company and the Shareholders as a whole.

### *Further information on YCIH Financial Company*

YCIH Financial Company is a non-banking financial institution incorporated in the PRC on December 28, 2015 and a subsidiary of YCIH in which YCIH directly holds 50% equity interest. 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 CBIRC. The establishment of such non-banking financial institutions is subject to approval by the CBIRC and its operation is subject to the ongoing supervision of the CBIRC.

In the PRC, finance companies within group enterprises are only permitted under applicable PRC laws and regulations to provide financial management services to member enterprises such as members of the group of which no less than 20% of the equity interest are held by the parent company and/or its subsidiaries. Therefore, YCIH Financial Company may only provide financial services to member enterprises of the YCIH Group (including our Company). As a non-bank financial institution, YCIH Financial Company is subject to various regulatory and capital adequacy requirements, including capital adequacy ratios, collateral ratio, long-term investment ratio and deposit reserve

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## CONNECTED TRANSACTIONS

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thresholds. YCIH Financial Company strengthens the centralized management of fund within YCIH and improves the fund utilization efficiency and the financial management services for members of YCIH.

As of the Latest Practicable Date, the business scope of YCIH Financial Company includes: (i) providing financial and financing consultancy, credit certification and related consultancy and agency services to member enterprises; (ii) assisting member enterprises in collection and payment of transaction funds; (iii) an approved insurance agency business; (iv) providing guarantees to members enterprises; (v) providing entrusted loans to member enterprises; (vi) providing bill acceptance and discount services to member enterprises; (vii) processing the settlement of internal fund transfers among member enterprises and providing solution plans for relevant settlement and clearing; (viii) taking deposits from member enterprises; (ix) providing loan and finance leases to member enterprises; (x) conducting inter-borrowings among finance companies; and (xi) other business approved by the CBIRC.

### *Internal Control and Corporate Governance Measures*

Based on the reasons set out above, we are of the opinion that the relevant pricing guidelines related to the Financial Services Framework Agreement are in the interests of the Shareholders as a whole. We will adopt the following measures with respect to the transactions under the Financial Services Framework Agreement in order to further safeguard the interests of the independent Shareholders:

#### (I) Independent Shareholder approval

If we renew the Financial Services Framework Agreement (including the annual caps therefor) and if the transactions under such renewed agreement are not exempted from the independent shareholders' approval requirement, our independent Shareholders have the right to ensure that the terms of the renewed agreement (including the proposed annual caps therefor) are fair and reasonable, and on normal commercial terms and in the interests of our Company and our Shareholders as a whole. We therefore will submit the renewed agreement (together with the proposed annual caps) to independent Shareholders for approval. Appropriate disclosure of the historical and ongoing transactions between us and YCIH Financial Company which will continue under the renewed agreement will be made in a circular so as to enable potential investors to make informed decisions. If independent Shareholders' approval cannot be obtained, we will not continue the transactions under the Financial Services Framework Agreement after its term expires unless the applicable requirements of Chapter 14A of the Hong Kong Listing Rules are complied with. In such event, it is not expected that we will suffer any adverse legal consequences, subject to loss of interest.

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## CONNECTED TRANSACTIONS

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(II) Independent financial system

We have established a finance department within our Company, which will operate without influence from YCIH Financial Company. We have adopted a financial management system to guide and monitor our financial activities. We also maintain accounts with external independent banks, and do not share any bank account with YCIH Financial Company. YCIH Financial Company cannot control the use of any of our bank accounts. We have independent tax registration and have paid tax independently pursuant to applicable PRC laws and regulations.

(III) Internal control measures and risk management measures

- We have formulated comprehensive financial and fund management rules and regulations, to safeguard against fund risks, strengthen our internal financial management and regulate financing activities. We have set up an integrated financial management system on planning, budgeting and assessment. The Board of the Company is the responsible body in this respect. We will adhere to the principle of financing at the Group level, and will make decisions after taking into account of proper scale and reasonable structure and the balance between costs and risks. In addition, the enterprise management department of the Company will be responsible for monitoring such ongoing continuing connected transactions under the Financial Services Framework Agreement and will submit matters to the Board for consideration as appropriate.
- Pursuant to the Financial Services Framework Agreement, YCIH Financial Company shall provide us with information such as annual and interim financial statements, to enable us to understand and review the financial condition of YCIH Financial Company. YCIH Financial Company shall notify us, 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 we consider that there is any material adverse change in the financial condition of YCIH Financial Company, we will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect our financial position.
- Our independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions under the Financial Services Framework Agreement. If the majority of the independent non-executive Directors reasonably consider that it would be in our interests to reduce the level of financial services with YCIH Financial Company, we will take appropriate steps to implement the decision of our independent non-executive Directors. Information on the transactions under the Financial Services Framework Agreement and the

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## CONNECTED TRANSACTIONS

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views of our independent non-executive Directors on the transactions under the Financial Services Framework Agreement (including their views on how the terms of the Financial Services Framework Agreement have been complied with) will be disclosed in our annual report.

- During our annual audit, we will engage our auditors to review the connected transactions between us and YCIH Financial Company to ensure that the transactions under the Financial Services Framework Agreement have been approved by the Board and conducted in accordance with our pricing policies, the terms of such agreement and the caps thereunder.
- We have implemented internal control measures to make sure our Company will monitor our Group's daily balances with YCIH Financial Company in a timely manner. In particular, our Company's responsible financial person shall check the balances through relevant IT system on a daily basis, and promptly report to our chief financial officer if such daily balances are close to exceeding, or likely to exceed the proposed caps.

### WAIVERS GRANTED BY THE HONG KONG STOCK EXCHANGE

Transactions under the Land and Property Leasing Framework Agreement in the above section "Non-exempt Continuing Connected Transactions" constitute continuing connected transactions of the Company, and such transactions are subject to the reporting, annual review and announcement requirements but exempt from strict compliance with the shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. Transactions under the Products Sales Framework Agreement, the Raw Materials, Products and Services Procurement Framework Agreement and the Financial Services Framework Agreement in the above section "Non-exempt Continuing Connected Transactions" constitute continuing connected transactions of the Group, and such transactions are subject to the reporting, annual review, announcement and independent shareholders' approval requirements under Chapter 14A of the Hong Kong Listing Rules. As the aforesaid non-exempt continuing connected transactions are expected to be carried out continuously, our Directors consider that strict compliance with the aforesaid announcement and independent shareholders' approval requirements will be impractical, and such requirements will lead to unnecessary administrative costs and create an onerous burden on us. Accordingly, we have applied to the Hong Kong Stock Exchange, and the Hong Kong Stock Exchange has granted us, pursuant to Rule 14A.04 and Rule 14A.105 of the Hong Kong Listing Rules, waivers from strict compliance with announcement and independent shareholders' approval requirements in respect of each of the non-exempted continuing connected transactions (as the case may be). We will comply with the applicable requirements of the Hong Kong Listing Rules if we exceed the proposed annual caps set out above or if there are significant changes in the terms of such transactions.

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### **OUR DIRECTORS' VIEW**

Our Directors (including our independent non-executive Directors) are of the view that (i) the non-exempt continuing connected transactions as described in this section have been and will be carried out in the ordinary and usual course of our business, on normal commercial terms or better, that are fair and reasonable and in the interests of our Company and our Shareholders as a whole, and (ii) the annual caps of such non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.

### **SOLE SPONSOR'S VIEW**

The Sole Sponsor, after discussions with our management on the proposed annual caps and reasons for entering into each of the non-exempt continuing connected transactions described in this section, is of the view that (i) such non-exempt continuing connected transactions are carried out in the ordinary and usual course of our business, on normal commercial terms (or better), which are fair and reasonable and in the interests of our Company and our Shareholders as a whole; and (ii) the annual caps of such non-exempt continuing connected transactions are fair and reasonable and are in the interests of our Company and our Shareholders as a whole.



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### OVERVIEW

The Board of the Company consists of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. The Board is responsible and has the general authority for the management and operation of the Company. The Directors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The Supervisory Committee of the Company consists of five Supervisors, including two employee representative Supervisors and three non-employee representative Supervisors. The non-employee representative Supervisors are elected at our general meetings. The employee representative Supervisors are elected by our employees. The Supervisors are typically appointed for a term of three years and are eligible for re-election upon expiry of their term of office.

The senior management of the Company are responsible for the management of day-to-day operations of the Company.

### Directors

The following table sets out the key information about the Directors as of the Latest Practicable Date.

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining the Company</u>	<u>Date of appointment as Director</u>	<u>Roles and responsibilities</u>
Ma Minchao	53	Chairman, executive Director	June 19, 2007	June 19, 2007	Presiding over the Board of the Company and generally taking charge of the Company's administration, focusing on important tasks such as major decision-making, development strategy formulation, industrial restructuring, major market exploration, auditing, listing and resource integration

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of joining the Company	Date of appointment as Director	Roles and responsibilities
Rao Ye	33	Vice chairman, executive Director, deputy general manager, secretary of the Board and joint company secretary	December 27, 2016	December 27, 2016	Taking charge of the reform, planning and development, legal affairs and Board-related work of the Company; generally taking charge of the Company's party building, corporate culture construction and maintenance of stability by dealing with complaints and proposals, and presiding over the Company's Party Committee
Lu Jianfeng	45	Executive Director, general manager	July 24, 2013	March 15, 2019	Presiding over the production and operation management of the Company, convening and presiding over the general manager's office meeting, organizing the implementation of the Board resolutions
Hu Zhurong	46	Executive Director, employee Director	August 9, 2017	December 19, 2017	Presiding over the affairs relating to the Company's Labor Union and Communist Youth League, assisting corporate culture construction, staff training, party building, and maintenance of stability by dealing with complaints and proposals
Liu Guangcan	47	Non-executive Director	June 19, 2007	December 19, 2017	Participating in the formulation of business plans, strategies and major decisions of the Company

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of joining the Company	Date of appointment as Director	Roles and responsibilities
He Jianqiang	46	Non-executive Director	December 15, 2009	December 27, 2016	Participating in the formulation of business plans, strategies and major decisions of the Company
Wong Kai Yan Thomas	48	Independent non-executive Director	September 25, 2019	September 25, 2019	Offering independent advice and judgment to the Board
Yu Dingming	44	Independent non-executive Director	December 19, 2017	December 19, 2017	Offering independent advice and judgment to the Board
Li Hongkun	50	Independent non-executive Director	September 20, 2019	September 20, 2019	Offering independent advice and judgment to the Board

**Mr. Ma Minchao**, aged 53, has been serving as the executive Director of the Company since June 2007 when the Company was incorporated. Since December 2016, he has been serving as the chairman and deputy secretary of the Party Committee of the Company, mainly responsible for presiding over the Board of the Company and generally taking charge of the Company's administration, focusing on important tasks such as major decision-making, development strategy formulation, industrial restructuring, major market exploration, auditing, listing and resource integration. Chairman Ma also serves as a director or chairman in various subsidiaries of the Company: he has been serving as a director of Aggregate Company since March 2007, as the chairman of Polymer Company since September 2013, as a director of Qujing Building Material since November 2014, as a director of Baoshan Building Material since January 2015, and as the chairman of Baoshan Building Material since May 2019, as the director of Yuxi Building Material since July 2015 and as a director of 14th Metallurgical New Material Company since January 2018. Chairman Ma previously served as the general manager of the Company from June 2007 to April 2019.

From May 2005 to May 2010, Chairman Ma served successively as the deputy general manager and general manager of YNJG Concrete, whose principal businesses included the research and development, production, sales, transportation and pumping of commercial concrete, where Chairman Ma was mainly responsible for administration, production and operation management. From May 2010 to February 2017, he served as the general manager of the Commercial Concrete Division of YNJG, whose principal businesses included infrastructure investment, construction and management, where Chairman Ma was mainly responsible for administration, production and operation management. From November 2014 to February 2017, he served as the general manager of Qujing Building Material. From November 2014 to May 2019, he served as the chairman of Qujing Building Material. From

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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July 2015 to September 2019, he served as the chairman of Yuxi Building Material. From January 2018 to May 2019, he served as the chairman of 14th Metallurgical New Material Company. Since January 2013, Chairman Ma has also been serving as the chairman of Yunling Cement.

Prior to joining the Company, Chairman Ma served successively as the deputy manager of the Development and Operation Department, business manager of Zhaotong Resources Department (昭通物資部) and deputy general manager of Yunnan Building Materials Supply Company (雲南省建築材料供應公司) during the periods of February 1993 to March 1994, July 1994 to November 1995 and February 2004 to February 2006. Such company's principal businesses included supply and sales of building materials, and Chairman Ma was mainly responsible for daily management and business operations.

In December 2014, Chairman Ma was appointed as the managing director and vice chairman of the Yunnan Concrete Association, as well as an expert of the Yunnan Concrete Industry Expert Committee. In August 2017, he was appointed as a standing member of the Concrete Quality Professional Committee of the Concrete and Prestressed Concrete Branch of China Civil Engineering Society (中國土木工程學會混凝土及預應力混凝土分會混凝土質量專業委員會). In December 2018, he was appointed as the vice president of the Ready-Mixed Concrete Branch of China Concrete and Cement-based Products Association (中國混凝土與水泥製品協會預拌混凝土分會).

In March 2013, Chairman Ma was awarded the third prize of Science and Technology Progress Award granted by the Yunnan Provincial People's Government. In November 2017, he was awarded the second prize of Science and Technology Innovation Achievement of Science and Technology Award in 2016 granted by China Construction Enterprise Management Association (中國施工企業管理協會). In February 2015 and June 2018, he was awarded the second prize of Science and Technology Progress Award granted by Yunnan Provincial People's Government respectively. In November 2017, he was awarded the title of 2017 Excellent Concrete Engineer in the Ready-Mixed Concrete Industry granted by Ready-Mixed Concrete Branch of China Concrete and Cement-based Products Association (中國混凝土與水泥製品協會預拌混凝土分會). In December 2018, he was awarded the title of Industrial Technology Leading Talents under "The Plan for Ten Thousand Talents (萬人計劃)" granted by the Talent Work Leading Group Office of Yunnan Province (雲南省人才工作領導小組辦公室).

Chairman Ma graduated from the Materials Department of Shaanxi University of Finance and Economics (陝西財經學院) in July 1989, majoring in economic management. In June 2006, he obtained a Postgraduate Certificate in business administration from the Postgraduate School of Chinese Academy of Sciences (中國科學院). He also obtained a master's degree in project management jointly offered by the University of Management and Technology in the United States and Kunming University of Science and Technology (昆明理工大學) in December 2006. In September 2012, Chairman Ma was appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保工程高級工程師評審委員會). In December 2018, he was appraised as a professorate senior engineer by the Professorate Senior Engineer Review Committee of Yunnan Province (雲南省正高級工程師評審委員會).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Chairman Ma served as the legal representative, director and/or general manager of the companies set out in the table below before their deregistration:

Company name	Place of establishment	Nature of business	Position	Status	Date of deregistration
Kunming Dongchuan Chaoli Trade Co., Ltd. (昆明市東川超利經貿有限公司)	China	Trading	Legal representative	Deregistered	September 10, 2002
Kunming Jintu Aggregate Co., Ltd. (昆明金兔砂石料有限公司)	China	Trading	Legal representative, executive director	Deregistered	May 10, 2010
Yunnan Construction Engineering Concrete Co., Ltd. (雲南建工混凝土有限公司)	China	Production and sales	Director	Deregistered	May 24, 2012
YNJG Economic Development Logistics Co., Ltd. (雲南建工經開物流有限公司)	China	Logistics	Legal representative, executive director, general manager	Deregistered	July 1, 2014
Yunnan Qianjing Real Estate Development Co., Ltd. (雲南乾景房地產開發有限公司)	China	Real estate	Legal representative, executive director	Deregistered	January 6, 2015
YCIH Zhaotong Building Material Co., Ltd. (雲南建投昭通建材有限公司)	China	Production and sales	Legal representative, chairman	Deregistered	February 26, 2018

Chairman Ma confirmed that the above companies were deregistered due to business termination and were solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

**Mr. Rao Ye**, aged 33, is the vice chairman, executive Director, deputy general manager, secretary of the Board, joint company secretary, and secretary of the Party Committee of the Company, mainly responsible for the reform, planning and development, legal affairs and Board-related affairs of the Company, generally taking charge of the Company's party building, corporate culture construction and maintenance of stability by dealing with complaints and proposals, and presiding over the work of the Party Committee of the Company. Mr. Rao also serves as a director or chairman in various subsidiaries of the Company: he has

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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been serving as a director of 14th Metallurgical New Material Company since January 2018, as a director of Qujing Building Material since March 2018 and as the chairman of Qujing Building Material since May 2019, as a director of Polymer Company since October 2018, as a director of Baoshan Building Material since May 2019, and as a director of Yuxi Building Material since June 2019. Mr. Rao joined the Company in December 2016.

Prior to joining the Company, Mr. Rao successively served as a staff and the deputy manager of the Legal Affairs Division (法律事務科) and a member of Administrative Party Branch (行政黨支部委員) of YNJG Concrete from July 2009 to May 2012, mainly responsible for legal affairs management. From May 2012 to February 2017, he served successively as the manager of the Reform and Development Division (改革發展科), deputy manager of the Legal Affairs Division, the assistant general manager and the deputy general manager of the Commercial Concrete Division, mainly responsible for preparing the company's development and operation plans as well as assisting the general manager in carrying out daily management work. From February 2015 to April 2019, he served as the general manager of Polymer Company, mainly responsible for generally taking charge of the administration, production and operation management of the company. From January 2015 to May 2017, he served as the general manager of Aggregate Company, mainly responsible for generally taking charge of administration, production and operation management of the company.

Mr. Rao obtained a bachelor of laws degree from Yunnan University of Finance and Economics (雲南財經大學) in July 2009 and a master's degree in law from Yunnan University (雲南大學) in June 2012. In January 2019, he obtained a graduation certificate in engineering management (online education) from Sichuan University. Mr. Rao also obtained the qualification certificate for secretary to the board of directors granted by the Shanghai Stock Exchange in July 2018 and obtained the qualification certificate of independent directors granted by the Shanghai Stock Exchange in November 2018. In August 2019, Mr. Rao was granted the qualification for professional position of engineer by YCIH.

Mr. Rao served as the director of the company set out in the table below before its deregistration:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of deregistration</u>
YCIH Zhaotong Building Material Co., Ltd. (雲南建投昭通建材有限公司)	China	Production and sales	Director	Deregistered	February 26, 2018

Mr. Rao confirmed that the above company was deregistered due to business termination and was solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Mr. Lu Jianfeng**, aged 45, is an executive Director, general manager and deputy secretary of the Party Committee of the Company, mainly responsible for presiding over the production and operation management of the Company, convening and presiding over the general manager's office meeting, organizing the implementation of the Board resolutions. Mr. Lu also serves as a director or chairman in various subsidiaries of the Company: he has been serving as a director of Polymer Company since September 2013, as a director of 14th Metallurgical New Material Company since January 2018 and as the chairman of 14th Metallurgical New Material Company since May 2019, as a director of Baoshan Building Material since May 2018, and as a director of Qujing Building Material since May 2019. Mr. Lu joined the Company in July 2013, and previously served as the Director, deputy general manager and executive deputy general manager of the Company.

Prior to joining the Company, Mr. Lu served successively as chief engineer of East Batching Plant (東攪拌站), manager of the 2nd West Batching Plant (西二攪拌站), manager of the 1st West Batching Plant (西一攪拌站), manager of Chenggong Batching Plant (呈貢攪拌站), deputy manager of the New Airport Project Management Department (新機場項目管理部), manager of the New Airport Project Management Department, manager of the New Airport Batching Plant (新機場攪拌站), and assistant general manager of YNJG Concrete from August 1998 to January 2011, mainly responsible for engineering construction management, administrative management, and production and operation management. From January 2011 to December 2016, he served successively as the assistant general manager and the deputy general manager of the Commercial Concrete Division, mainly responsible for managing production and operation of the company and assisting the general manager in carrying out daily management work.

Mr. Lu obtained a bachelor of engineering degree in construction materials from Southeast University (東南大學) in June 1996 and a master's degree in business administration from Yunnan University in December 2016. In August 2007, Mr. Lu was appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保工程高級工程師評審委員會).

**Ms. Hu Zhurong**, aged 46, is an executive Director and employee Director of the Company, mainly responsible for presiding over the affairs relating to the Company's Labor Union and Communist Youth League, as well as assisting in corporate culture construction, staff training, party building, and maintenance of stability by dealing with complaints and proposals. Since joining the Company in August 2017, Ms. Hu has been serving as the deputy secretary of the Party Committee (黨委副書記) as well as the chairwoman of the Labor Union, mainly responsible for presiding over the affairs relating to the Company's party building, Labor Union and Communist Youth League.

Prior to joining the Company, Ms. Hu was appointed as the director of the Kunming Office (駐昆辦主任) of Fourth Construction and Installation Engineering Company of Fourteenth Metallurgical Group of China Nonferrous Metal (中國有色十四冶集團第四建築安裝工程公司) in July 2002. Such company's principal business was engineering construction, and Ms. Hu was mainly responsible for the implementation of relevant management system.

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From April 2008 to September 2016, she served successively as the deputy director of the Party Office (黨辦副主任) as well as the secretary of the Communist Youth League (團委書記), deputy director of the Women Worker Committee (女工副主任) as well as the secretary of the Communist Youth League, and vice chairwoman of the Labor Union (工會副主席) as well as the director of the Women Worker Committee (女工主任) of the Fourteenth Metallurgical Construction Investment Group Co., Ltd. (十四冶建投集團有限公司), whose principal business was project investment and operation, and Ms. Hu was mainly responsible for the daily operations of the Party Office and the Labor Union Committee. From September 2016 to August 2017, she served as the vice chairwoman of the Labor Union of YCIH, whose principal businesses included infrastructure investment, construction and management, and Ms. Hu was mainly responsible for the work of the Labor Union Committee.

Ms. Hu graduated from Guangzhou Nonferrous Metals Technical School (廣州有色金屬工業學校) in July 1992, majoring in vehicle repair. In July 2002, she graduated from Adult Education College of Yunnan University (雲南大學成人教育學院), majoring in economics management. In December 2003, she graduated from Yunnan Provincial Party School (雲南省委黨校) majoring in accounting and auditing. In September 2012, Ms. Hu was appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保高級工程師評審委員會).

**Mr. Liu Guangcan**, aged 47, is a non-executive Director of the Company, mainly responsible for participating in the formulation of business plans, strategies and major decisions of the Company. Mr. Liu served successively as the Supervisor and Director of the Company from June 2007 to July 2013, and rejoined the Company in December 2017.

Mr. Liu currently serves as a director of YNJG Urban Construction Investment and Development Co., Ltd. (雲南建工城建投資開發有限公司). He has been serving as a director of YOIC since August 2012, and as the secretary of the Party Committee (黨委書記) of the company since July 2016 and as the vice chairman of the company since January 2018. Since January 2013, he has been serving as the chairman of North Nongchan Complex Development Co., Ltd. (北隆贊湖綜合發展有限公司). Since June 2017, he has been serving as the chairman of Ruili Cross-border Economic Cooperation Zone Investment and Development Co., Ltd. (瑞麗跨境經濟合作區投資開發有限公司).

From March 1997 to June 2001, Mr. Liu served as the deputy manager of the Finance Department of Yunnan Building Materials Supply Company (雲南省建築材料供應公司), whose principal businesses included supply and sales of building materials, and Mr. Liu was mainly responsible for financial management. From June 2001 to December 2011, he served successively as a deputy manager of the Finance Department, manager of the Finance Department, deputy chief accountant, chief accountant, deputy secretary of the general Party branch (黨總支副書記) and secretary of the Party branch (黨總支書記) in YNJG Concrete, mainly responsible for finance, financing and corporate Party building. From December 2011 to January 2018, he served successively as the secretary of the general Party branch and deputy general manager of YOIC, whose principal businesses included domestic and overseas project investment and management, and Mr. Liu was mainly responsible for corporate Party building,



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production management, investment and financing, and daily management. From July 2014 to September 2017, he served as the chairman of Laos-China Joint Venture Investment Co., Ltd. (老中聯合投資有限公司), whose principal businesses included business solicitation and operation of the Vientiane Saysettha Development Zone in Laos (老撾萬象賽色塔綜合開發區), and Mr. Liu was mainly responsible for the implementation of the decisions and deployment of the shareholders' general meeting.

Mr. Liu obtained a bachelor of economics degree in economics from Nanjing Institute of Economics (南京經濟學院) in July 1994 and a master's degree in business administration for senior management from Yunnan University in December 2015. Mr. Liu was granted the qualification of certified public accountant by the Certified Public Accountant Examination Committee of the Ministry of Finance (財政部註冊會計師考試委員會) in December 2006, and was appraised as a senior accountant by the Department of Human Resources and Social Security of Yunnan Province (雲南省人力資源和社會保障廳) in March 2010.

Mr. Liu served as a director or supervisor of the companies set out in the table below before their deregistration:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of deregistration</u>
Yunnan Construction Engineering Concrete Co., Ltd. (雲南建工混凝土有限公司)	China	Production and sales	Director	Deregistered	May 24, 2012
Yunnan Qianjing Real Estate Development Co., Ltd. (雲南乾景房地產開發有限公司)	China	Real estate	Supervisor	Deregistered	January 6, 2015

Mr. Liu confirmed that the above companies were deregistered due to business termination and were solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

**Mr. He Jianqiang**, aged 46, is a non-executive Director of the Company, mainly responsible for participating in the formulation of business plans, strategies and major decisions of the Company. Mr. He joined the Company in December 2009 and served as the deputy general manager of the Company.

Mr. He has served successively as the deputy general manager, general manager and chairman of Kunming Jingbai Industrial Co., Ltd. (昆明經百實業有限公司) from January 2014. Since December 2016, he has been serving as the chairman of Kunming Daguanshan Investment Development Co., Ltd. (昆明大觀山投資開發有限責任公司), Kunming Tengbang

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Real Estate Co., Ltd. (昆明騰邦置業有限公司) and Kunming Tongfu Real Estate Development Co., Ltd. (昆明同富房地產開發有限公司), as a director of Kunming Tongtai Real Estate Co., Ltd. (昆明通泰置業有限公司), and successively as the deputy general manager and director of KMEIC. Since November 2018, he has been serving as the deputy general manager of Yunnan Nengtou New Energy Investment Development Co., Ltd. (雲南能投新能源產業園區投資開發有限公司).

From September 2009 to December 2016, Mr. He served as the assistant general manager of KMEIC, whose principal businesses included engineering construction management, real estate, investment and financing, and Mr. He was mainly responsible for the management of real estate development. From April 2014 to June 2018, he served as a director in Kunming Puzhao Water Purification Management Co., Ltd. (昆明普照水質淨化管理有限公司), whose principal businesses included the operation and management of sewage treatment plant, and Mr. He was mainly responsible for administration.

Mr. He obtained a bachelor of engineering degree in environmental engineering from Tongji University (同濟大學) in July 1998. In September 2014, Mr. He was appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保工程高級工程師評審委員會). In May 2016, he obtained the qualification for associate constructor (construction engineering) approved by the Bureau of Human Resources and Social Security and Bureau of Housing and Urban-Rural Development of Yunnan Province.

Mr. He served as a supervisor of the company set out in the table below before its business license was revoked:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of revoking</u>
Shanghai Xianjing Environmental Protection Technology Co., Ltd. (上海先淨環保科技有限公司)	China	Technical service and sales	Supervisor	Revoked, not deregistered	February 15, 2011

Mr. He confirmed that the business license of above-mentioned company was revoked because it failed to carry out annual inspections due to the termination of business; the above company was solvent at the time its business license was revoked and did not incur any debt and/or liability due to the revoking of business license, and the revoking of business license had no adverse impact on the Company.

**Mr. Wong Kai Yan Thomas**, aged 48, is an independent non-executive Director of the Company, primarily responsible for offering independent advice and judgment to the Board. Mr. Wong joined the Company in September 2019.

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Since March 2018, he has been serving as the managing director of Asset Management Department of VPower Group International Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 01608), responsible for managing fund investments, determining investment targets and developing and implementing asset management plans and strategies.

Prior to joining the Company, Mr. Wong served as an auditor at Deloitte Touche Tohmatsu Certified Public Accountants (德勤•關黃陳方會計師行) from June 1995 to May 1997. From July 1997 to January 2004, he served as the chief financial officer of Kong Sun Holdings Limited (listed on the Hong Kong Stock Exchange, stock code: 00295), which mainly engaged in investment business. From March 2004 to April 2008, he served as a consultant at Pioneer International Enterprise Limited. From July 2008 to December 2017, he served as a joint authorized representative and joint company secretary of CRRC Corporation Limited (listed on the Hong Kong Stock Exchange, stock code: 01766), which mainly engaged in the railway equipment business. From November 2015 to December 2017, he served as a director, deputy general manager and chief financial officer of CRRC Hong Kong Co., Ltd., which mainly engaged in trading and investment business.

Mr. Wong obtained a bachelor of commerce degree in accounting from the University of Wollongong in Australia in May 1995. He obtained a master's degree of science in financial analysis from the Hong Kong University of Science and Technology in May 2011. Mr. Wong became a member of the CPA Australia in March 1999 and a member of the Hong Kong Institute of Certified Public Accountants in July 1999.

Mr. Wong served as the director or supervisor of the companies set out in the table below before their dissolution or deregistration:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of dissolution/ deregistration</u>
Genesis Marketing Services Limited	Hong Kong	Service	Director	Dissolved by deregistration	January 4, 2002
Halwon Investment Limited (禧煌投資有限公司)	Hong Kong	Investment	Director	Dissolved by striking off	November 23, 2001
Kong Sun Telecoms Limited (江山電訊有限公司)	Hong Kong	Telecommunication	Director	Dissolved by deregistration	March 9, 2007
CRRC Nanjing Haida Railway Service Co., Ltd. (南京中車海達鐵路服務有限公司)	China	Service	Director	Deregistered	May 25, 2017
CRRC Shanghai Financial Leasing Co., Ltd. (上海中車融資租賃有限公司)	China	Leasing	Supervisor	Deregistered	December 18, 2018

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Mr. Wong confirmed that the above companies were dissolved or deregistered due to business termination and were solvent at the time of dissolution or deregistration and did not incur any debt and/or liability due to the dissolution or deregistration, and the dissolution or deregistration had no adverse impact on the Company.

**Mr. Yu Dingming**, aged 44, is an independent non-executive Director of the Company, mainly responsible for offering independent advice and judgment to the Board. Mr. Yu joined the Company in December 2017.

Since July 2003, Mr. Yu has been teaching at Yunnan University of Finance and Economics (雲南財經大學), where he currently serves as a professor engaged in teaching and research. Since November 2011, he has been a part-time lawyer in Yunnan Yunyu Law Firm (雲南雲譽律師事務所). Since July 2017, he has been serving as an independent director in Yunnan Xiyi Industrial Co., Ltd. (雲南西儀工業股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 002265). Since June 2019, he has been serving as an independent director in Yunnan Copper Co., Ltd. (雲南銅業股份有限公司) (listed on the Shenzhen Stock Exchange, stock code: 000878).

Mr. Yu was appointed as an invited expert of the Civil Execution Professional Judges Meeting of the Higher People's Court of Yunnan Province (雲南省高級人民法院民事執行專業法官會議) in April 2017. Since June 2018, he has been serving as one of the first batch of experts in the expert bank for the construction of the law-based government in Yunnan Province (雲南省法治政府建設專家庫首批專家) and as a member of sixth council (第六屆理事會理事) of the Institute of Ethnic Law of China Law Society (中國法學會民族法學研究會).

From January 2013 to August 2018, Mr. Yu served as an independent director of Kunming Jida Pharmaceutical Co., Ltd. (昆明積大製藥股份有限公司), whose principal businesses included development, production and sales of biological agents.

Mr. Yu won the third prize of the 10th, 13th and 14th Outstanding Achievement Award for Philosophy and Social Sciences of Yunnan Province (雲南省哲學社會科學優秀成果獎) granted by the Yunnan Provincial People's Government in December 2006, December 2009 and May 2011, respectively.

Mr. Yu obtained a bachelor's degree in international economic law from Yunnan University in July 2000, a master's degree in economic law from Yunnan University in July 2003, and a doctor's degree in economic law from China University of Political Science and Law (中國政法大學) in June 2010. Mr. Yu also obtained the certificate of legal professional qualification granted by the Ministry of Justice of the People's Republic of China (中華人民共和國司法部) in September 2002 and was appraised as a professor by Yunnan College Teachers, Professors and Associate Professors Review Committee (雲南省高校教師教授副教授評審委員會) in October 2014.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Mr. Li Hongkun**, aged 50, is an independent non-executive Director of the Company, primarily responsible for offering independent advice and judgment to the Board. Mr. Li joined the Company in September 2019.

Since March 1995, Mr. Li has been teaching at Yunnan University of Finance and Economics (雲南財經大學), where he currently serves as a professor and master tutor and his major research directions are corporate governance, cost control and financial analysis.

In December 2012, Mr. Li obtained “Hongyun Teachers’ Award (紅雲園丁獎)” granted by Hongyunhonghe Tobacco (Group) Co., Ltd.; and in November 2015, he was awarded the “Ninth CPA Teachers’ Award of Yunnan Province (雲南省第九屆CPA教師育才獎)” jointly granted by Yunnan Provincial Institute of Certified Public Accountants and the Accounting School of Yunnan University of Finance and Economics.

Mr. Li obtained a bachelor of economics degree in accounting from Yunnan Finance and Trade College (雲南財貿學院) in July 1990; a master of economics degree in accounting from Southwestern University of Finance and Economics (西南財經大學) in June 1994; and a doctor of management degree in financial management from Southwestern University of Finance and Economics in July 2009. In October 2013, Mr. Li was appraised as a professor by Yunnan College Teachers, Professors and Associate Professors Review Committee.

### Supervisors

The table below sets out the key information about the Supervisors:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining the Company</u>	<u>Date of appointment as Supervisor</u>	<u>Roles and responsibilities</u>
Wu Xinhe	46	Chairman of Supervisory Committee and non-employee representative Supervisor	March 15, 2019	March 15, 2019	Taking charge of the Supervisory Committee and organizing Supervisors to jointly supervise the operations and financial activities of the Company
Li Yan	37	Non-employee representative Supervisor	December 27, 2016	December 27, 2016	Monitoring the financial condition of the Company and the duty performance of senior management of the Company

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Company	Date of appointment as Supervisor	Roles and responsibilities
Chang Hongbing	39	Non-employee representative Supervisor	December 27, 2016	December 19, 2017	Jointly supervising the operations and financial activities of the Company
Li Na	39	Employee representative Supervisor	January 13, 2017	March 5, 2019	Monitoring the financial condition of the Company and the duty performance of senior management of the Company; taking charge of daily work of the Labor Union Committee
Guo Huan	31	Employee representative Supervisor	January 13, 2017	December 19, 2017	Monitoring the financial condition of the Company and the duty performance of senior management of the Company, internal management of the production and operation of the Company, and the building and implementation of the internal control system, and presiding over the work of the Enterprise Management Department

**Mr. Wu Xinhe**, aged 46, is the chairman of the Supervisory Committee and a non-employee representative Supervisor of the Company, mainly responsible for taking charge of the work of the Supervisory Committee and organizing Supervisors to jointly supervise the operations and financial activities of the Company. Mr. Wu joined the Company in March 2019.

Since September 2013, Mr. Wu has been serving as a director and general manager of Kunming Guoshun Asset Operation and Management Co., Ltd. (昆明國順資產經營管理有限公司). Since January 2017, he has been serving as a director and general manager of Yunnan State-owned Asset Kunming Economic and Technological Development Zone Industry Development Co., Ltd. (雲南國資昆明經開區產業開發有限公司). Since April 2017, he has been serving as a deputy general manager of KMEIC. Since October 2018, he has been serving as a director of Hong Kong Kunjing Capital Holdings Limited (香港昆經資本控股有限公司).

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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From April 2004 to February 2019, Mr. Wu served successively as the deputy manager of Administration Department, manager of Project Department, manager of Business Solicitation Department, deputy general manager, general manager and the chairman of Kunming Innovation Park Science and Technology Development Co., Ltd. (昆明創新園科技發展有限公司), whose principal business was technology enterprise incubation, and Mr. Wu was mainly responsible for the work of relevant departments, the daily operation of the company and the work of the company's board of directors.

Mr. Wu obtained a bachelor of science degree in applied chemistry from Yunnan University in July 1995 and a master of engineering degree in industrial engineering from Kunming University of Science and Technology (昆明理工大學) in June 2007. Mr. Wu also obtained the Professional Technical Qualification Certificate of Speciality and Technology in Real Estate Economics (Intermediate) conferred by the Ministry of Personnel of the People's Republic of China (中華人民共和國人事部) in November 2000 and the qualification of senior economist granted by the Department of Human Resources and Social Security of Yunnan Province in April 2011.

Mr. Wu served as a director of the company set out in the table below before its deregistration:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of deregistration</u>
Kunming Jingkai Property Services Co., Ltd. (昆明經開物業服務有限公司)	China	Property management	Director	Deregistered	January 21, 2011

Mr. Wu confirmed that the above company was deregistered after a voluntary resolution of the company's shareholders and was solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

**Ms. Li Yan**, aged 37, is a non-employee representative Supervisor of the Company, mainly responsible for monitoring the financial condition of the Company and the performance of senior management of the Company. Ms. Li joined the Company in December 2016.

Since January 2015, she has been serving as a supervisor in YCIH Development and Investment Co., Ltd. (雲南建投開發投資有限公司). Since July 2017, she has been serving as deputy secretary of the Discipline Inspection Commission (紀委副書記), director of the Discipline Inspection and Supervision Office (紀檢監察室主任), and director of the Inspection Office (巡察辦公室主任) of YCIH. Since August 2017, she has been serving as the chairwoman of the Supervisory Committee of Yunnan Immigration Industry Investment and Financing Co., Ltd. (雲南移民產業投融資有限公司).

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

From August 2006 to July 2016, Ms. Li served successively as the deputy director of the Legal Consultant Office (法律顧問處副處長), director of Legal Consultant Department (法律顧問部部長) (previously known as Legal Affairs Department (法律事務部)), and director of Discipline Inspection and Supervision Office (紀檢監察室主任) of Southwest Communications Construction Group Co., Ltd. (西南交通建設集團股份有限公司), whose principal business was highway and bridge construction. Ms. Li was mainly responsible for presiding over the overall work of the Discipline Inspection and Supervision Office, and assisting the secretary of the Discipline Inspection Commission in carrying out overall supervision work. From December 2014 to July 2018, Ms. Li has served as a supervisor of Yunnan Haohan Mine Engineering Construction Co., Ltd. (雲南浩瀚礦山工程建設有限公司), whose principal businesses included various types of mine construction and mine construction design within the scope under the qualification certificate, and Ms. Li was mainly responsible for monitoring the financial condition of the company and the performance of such company's senior management. From July 2016 to July 2017, she served successively as a member of the Commission for Discipline Inspection (紀委委員), director of the Discipline Inspection and Supervision Office (紀檢監察室主任) of YCIH, mainly responsible for presiding over the daily work of the Discipline Inspection and Supervision Office and assisting the secretary of the Discipline Inspection Commission in building the cadre team for discipline inspection and supervision.

Ms. Li obtained a bachelor of laws degree from Yunnan Finance and Trade College (雲南財貿學院) in July 2004. Ms. Li also obtained the qualification certificate for the board secretary granted by the Shanghai Stock Exchange in May 2014.

Ms. Li served as a supervisor of the companies set out in the table below before their deregistration:

<u>Company name</u>	<u>Place of establishment</u>	<u>Nature of business</u>	<u>Position</u>	<u>Status</u>	<u>Date of deregistration</u>
Yunnan National Policy Shack Area Reconstruction Construction Investment Co., Ltd. (雲南國策棚戶區改造建設投資有限公司)	China	Investment	Supervisor	Deregistered	May 25, 2016
Southwest Traffic Construction Group Engineering Survey and Design Institute Co., Ltd. (西南交通建設集團工程勘察設計院有限公司)	China	Survey design	Supervisor	Deregistered	February 6, 2018



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Li confirmed the above companies were deregistered after a voluntary resolution of such company's shareholders, and were solvent at the time of deregistration and did not incur any debt and/or liability due to the deregistration, and the deregistration had no adverse impact on the Company.

**Mr. Chang Hongbing**, aged 39, is a non-employee representative Supervisor of the Company, mainly responsible for jointly supervising the operations and financial activities of the Company. Mr. Chang joined the Company in December 2016 and has previously served as a Director of the Company.

Since September 2015, Mr. Chang has been serving as the chief financial officer of YOIC and as the assistant senior business head (助理高級業務主管) of YCIH. Since December 2016, he has been serving as a director of the Malaysian Company of YCIH. Since March 2019, he has been serving as a director of Yunnan Sanlian Real Estate Co., Ltd. (雲南三聯置業有限公司).

From March 2007 to February 2011, Mr. Chang served successively as the chief accountant of the Seventh Engineering Division (第七工程處主辦會計) and the assistant chief accountant of the Third Division of the Financial Engineering Center (財務工程核算中心三組助理主任會計師), and the deputy director of the Audit Department (審計部副主任) of Yunnan Engineering Construction General Contracting Company (雲南工程建設總承包公司), whose principal business was building construction. From February 2011 to October 2015, he served successively as deputy manager and manager of the finance department of YOIC, mainly responsible for finance.

Mr. Chang graduated from Yunnan Finance and Trade College (雲南財貿學院) in July 2001, majoring in financial management. Mr. Chang also obtained the qualification of senior accountant granted by the Department of Human Resources and Social Security of Yunnan Province in December 2016.

**Ms. Li Na**, aged 39, is the employee representative Supervisor of the Company and the vice chairwoman of the Labor Union, mainly responsible for monitoring the financial condition and the performance of senior management of the Company, and the daily work of the Labor Union Committee. Since April 2019, Ms. Li has been serving as the executive supervisor of Polymer Company. Ms. Li joined the Company in January 2017.

Prior to joining the Company, Ms. Li served successively as the deputy director of the General Party Branch Office (黨總支辦公室副主任), secretary of general youth league branch (團總支書記), executive secretary of party branch (行政黨支部書記), the director of Female Worker Committee (女工主任), and the vice chairwoman of the Labor Union of YNJG Concrete from September 2008 to January 2016, mainly responsible for daily work of the Party Office and daily work of the Labor Union Committee. From January 2016 to January 2017, she served as the vice chairwoman of the Labor Union of the Commercial Concrete Division, mainly responsible for daily work of Labor Union Committee.

Ms. Li graduated from Kunming University of Science and Technology majoring in computer information management (junior college) in July 2004. She graduated from Kunming University of Science and Technology in January 2008, majoring in law.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Mr. Guo Huan**, aged 31, is an employee representative Supervisor, assistant general manager and director of the Corporate Management Department (企業管理部部長) of the Company, mainly responsible for monitoring the financial condition of the Company and the performance of senior management of the Company, internal management relating to the production and operation of the Company, and the building and implementation of the internal control system, and presiding over the work of the Enterprise Management Department. Mr. Guo joined the Company in January 2017.

Prior to joining the Company, Mr. Guo served successively as a staff member, the deputy manager and the manager of the Corporate Management Division (企業管理科) of the Commercial Concrete Division from August 2010 to January 2017, mainly responsible for corporate regularization and standardization management.

Mr. Guo obtained a bachelor of engineering degree in software engineering from Yunnan University in July 2010 and a master of engineering degree in software engineering from Yunnan University in June 2014. Mr. Guo was appraised as a software designer (intermediate) issued by the Department of Human Resources and Social Security of Yunnan Province in May 2009. He obtained the Qualification Certificate of Speciality and Technology in Business Management (Intermediate) issued by the Department of Human Resources and Social Security of Yunnan Province in June 2017, and the Qualification Certificate of Constructor issued by the Department of Human Resources and Social Security and the Department of Housing and Urban-Rural Development of the PRC in September 2018.

### Senior Management

The table below sets out the key information about the senior management:

<u>Name</u>	<u>Age</u>	<u>Position</u>	<u>Date of joining the Company</u>	<u>Date of appointment as member of senior management</u>	<u>Roles and responsibilities</u>
Rao Ye	33	Vice chairman, executive Director, deputy general manager, secretary of the Board and joint company secretary	December 27, 2016	December 27, 2016	Taking charge of the reform, planning and development, legal affairs and Board-related work of the Company; generally taking charge of the Company's party building, corporate culture construction and maintenance of stability by dealing with complaints and proposals, and presiding over the Company's Party Committee

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

Name	Age	Position	Date of joining the Company	Date of appointment as member of senior management	Roles and responsibilities
Lu Jianfeng	45	Executive Director and general manager	July 24, 2013	December 27, 2016	Presiding over the production and operation management of the Company, convening and presiding over the general manager's office meeting, organizing the implementation of the Board resolutions
Ge Ting	43	Deputy general manager	December 27, 2016	December 27, 2016	Taking charge of regulation system building, human resources, administrative affair management, and logistics resource support
Wu Kun	50	Deputy general manager	December 27, 2016	December 27, 2016	Presiding over the infrastructure construction, information-based construction, equipment procurement and management, intelligent manufacturing and green development planning of the Company
Zhang Wenhua	52	Deputy general manager	December 15, 2009	December 15, 2009	Taking charge of production and operation of the Company and coordinating operation of regional markets in Zhaotong, Qujing, Laos and Cambodia
Zhang Long	34	Deputy general manager	January 13, 2017	February 14, 2017	Taking charge of production and operation of the Company and operation of regional markets in Wenshan, Honghe, Lincang, Xishuangbanna and Pu'er

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Name	Age	Position	Date of joining the Company	Date of appointment as member of senior management	Roles and responsibilities
Li Xiang	37	Deputy general manager	January 13, 2017	August 9, 2017	Taking charge of production safety and fire safety management, production management of the Company, and operation of regional markets in Diqing, Lijiang, Dali, Nujiang, Baoshan and Dehong
Liu Renzhi	43	Chief economist	February 6, 2017	February 6, 2017	Taking charge of cost management, production management, raw material procurement and supply of the Company and operation of regional market in Yuxi
Liang Limin	43	Chief engineer	January 13, 2017	August 9, 2017	Presiding over quality and technology management of the Company and assisting in cost management
Xu Airong	49	Chief financial officer	December 27, 2016	February 6, 2017	Presiding over cost accounting and financial management of the Company, taking charge of the integration of finance and business and preparation of comprehensive budget of the Company

For biographical details of Mr. Rao Ye and Mr. Lu Jianfeng, please refer to “– Directors” above.

**Ms. Ge Ting**, aged 43, is a deputy general manager of the Company, mainly responsible for regulation system building, human resources, administrative affair management, and logistics resource support. Ms. Ge joined the Company in December 2016 and has previously served as an employee Director and the chairwoman of the Labor Union of the Company.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Prior to joining the Company, Ms. Ge served successively as deputy director of the General Office (綜合辦公室副主任), director of the General Office (綜合辦公室主任), manager of the Corporate Development Department (企業發展部), director of the Administrative Affairs Department (行政事務部主任), manager of the General Management Department (綜合管理部), manager of the General Management Office (綜合管理辦公室), manager of the Human Resources Division (人力資源科) and deputy general manager of YNJG Concrete from November 2002 to May 2012, mainly responsible for human resources and administrative affairs management. From May 2012 to December 2016, she served as the deputy general manager and manager of the Human Resources Division of the Commercial Concrete Division, mainly responsible for human resources and administrative affairs management. From December 2016 to February 2017, she served as a member of the Party Committee (黨委委員) and deputy general manager of the Commercial Concrete Division, mainly responsible for Party building, human resources and administrative affairs of the company.

Ms. Ge obtained a bachelor of engineering degree in inorganic non-metallic materials from Wuhan University of Technology (武漢工業大學) in June 1997 and a master of engineering degree in materials engineering from Wuhan University of Technology in July 2003. In August 2007, Ms. Ge was appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保高級工程師評審委員會). In July 2009, she was appraised as a level-1 corporate human resource specialist by the Occupational Skill Testing Center of Ministry of Human Resources and Social Security (人力資源與社會保障部職業技能鑑定中心).

**Mr. Wu Kun**, aged 50, is a deputy general manager of the Company, mainly responsible for presiding over the infrastructure construction, information-based construction, equipment procurement and management, intelligent manufacturing and green development planning of the Company. Mr. Wu joined the Company in December 2016.

Prior to joining the Company, Mr. Wu served successively as deputy manager of the Quality and Technology Department, deputy chief engineer, assistant general manager and deputy general manager of YNJG Concrete from May 2000 to November 2010, mainly responsible for technical laboratory management, supervision of the project construction, as well as infrastructure construction, information-based construction, and equipment procurement and management. From November 2010 to December 2016, he served as deputy general manager of the Commercial Concrete Division, mainly responsible for infrastructure construction, information-based construction, and equipment procurement and management.

Mr. Wu obtained a bachelor of engineering degree in industrial automation instrument from Kunming Engineering Institute (昆明工學院) in July 1991 and obtained a master's degree from Yunnan University in December 2013, majoring in senior management business administration. In August 2003, Mr. Wu was also appraised as a senior engineer by the Urban Construction Environmental Engineering Senior Engineer Review Committee of Yunnan Province (雲南省城建環保高級工程師評審委員會).

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Mr. Zhang Wenhua**, aged 52, is a deputy general manager of the Company, mainly responsible for production and operation of the Company and coordinating the operation of regional markets in Zhaotong, Qujing, Laos and Cambodia. Mr. Zhang joined the Company in December 2009.

Mr. Zhang served as the deputy manager of the Production and Operation Department (生產經營部) of YNJG Concrete from July 2008 to January 2011, mainly responsible for customer management, performance evaluation and business situation analysis. From January 2011 to December 2016, he served successively in Commercial Concrete Division as the assistant general manager, chief economist and deputy general manager, mainly responsible for assisting the general manager in carrying out daily management work, enterprise operation planning management and economic analysis, assisting in managing the company's production and operation and responsible for operation of regional markets in Zhaotong and Qujing. From August 2013 to February 2015, he served as the general manager of Polymer Company, mainly responsible for the company's administrative management and production management in general. From August 2013 to April 2019, he served as the director of Polymer Company. From January 2015 to May 2018, he served as the director of Baoshan Building Material.

Mr. Zhang graduated from Yunnan Materials School (雲南省物資學校) in July 1987, majoring in materials operation and management. In December 1989, he graduated from Yunnan University majoring in business and economic management. In August 2005, Mr. Zhang obtained the qualification of Professional Manager (Class II) granted by Yunnan Provincial Department of Labor and Social Security.

**Mr. Zhang Long**, aged 34, is a deputy general manager of the Company, mainly responsible for production and operation of the Company and operation of regional markets in Wenshan, Honghe, Lincang, Xishuangbanna and Pu'er. Mr. Zhang joined the Company in January 2017 and has worked as the assistant to the general manager of the Company and manager of Yuanman Highway project and Guangna Highway (廣那高速) project in Wenshan.

Prior to joining the Company, Mr. Zhang served successively as a senior staff member, person in charge, and deputy manager of the new airport batching plant (新機場攪拌站) of YNJG Concrete from July 2008 to February 2012, mainly responsible for assisting the manager in completing concrete production and operation and on-site coordination. From February 2012 to February 2017, he served successively in Commercial Concrete Division as the deputy manager of the Konggang Area Project Department (空港區項目部) and manager of the Konggang Area Central Batching Plant (空港區中心攪拌站), deputy manager and batching plant manager of Pu'er branch company, security director of the branch company (分公司安全總監), manager of the East Batching Plant (東攪拌站), manager of the Jinning Branch, manager of Honghe Autonomous Prefecture Highway and Rail Transportation Department (紅河州高速及軌道交通項目部), and assistant general manager, mainly responsible for the work of the production department of the concrete batching plant, comprehensive management of the production and operation of the branch company, and assisting the general manager in carrying out daily management work.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Mr. Zhang was awarded the title of 2011 Outstanding Worker of Bulk Cement and Ready-mixed Concrete Promotion (推廣散裝水泥及預拌混凝土先進工作者) jointly granted by Kunming Bulk Cement Bureau (昆明市散裝水泥辦公室) and Kunming Bulk Cement and Commercial Concrete Association (昆明市散裝水泥商品混凝土協會) in May 2012.

Mr. Zhang obtained a bachelor of engineering degree in mechanical engineering and automation from Kunming University of Science and Technology in July 2008.

**Mr. Li Xiang**, aged 37, is a deputy general manager of the Company, mainly responsible for production safety and fire safety management, production management of the Company, and operation of regional markets in Diqing, Lijiang, Dali, Nujiang, Baoshan, and Dehong. Mr. Li joined the Company in January 2017 and worked as an assistant general manager and deputy chief engineer of the Company as well as the chief engineer of the Kunming Branch.

Prior to joining the Company, Mr. Li served successively as the chief engineer of Chenggong Batching Plant, the chief engineer of the Airport Project Department (新機場項目部主任工程師), deputy manager of the Quality and Technology Department (質量技術部) as well as chief engineer of the New Airport Batching Plant, and deputy manager of Project Management Department of Kunming New Airport Project (昆明新機場項目管理部) as well as deputy chief engineer from February 2007 to February 2012, mainly responsible for technical management and quality management of commercial concrete. From February 2012 to January 2017, he served successively in the Commercial Concrete Division as the deputy chief engineer as well as the director of the Central Lab (中心試驗室主任), deputy general manager, assistant general manager and deputy chief engineer, mainly responsible for the company's safety production management, production and operation and quality technology, operation of regional markets in Diqing and Lijiang, and technical management and quality management of commercial concrete.

Mr. Li has been a member of the Concrete Quality Professional Committee of the Concrete and Prestressed Concrete Branch of China Civil Engineering Society (中國土木工程學會混凝土及預應力混凝土分會混凝土質量專業委員會) since August 2017.

Mr. Li won the first prize for Technological Innovation of the Science and Technology Award (科學技術獎技術創新成果一等獎) granted by China Construction Enterprise Management Association (中國施工企業管理協會) in October 2009, and was awarded the third prize of Yunnan Science and Technology Award granted by Yunnan Provincial People's Government in March 2013.

Mr. Li obtained a bachelor of engineering degree in civil engineering from Kunming University of Science and Technology in July 2004. In August 2015, Mr. Li was also appraised as a senior engineer by the Construction Engineering Senior Engineer Review Committee of Yunnan Province (雲南省建築工程高級工程師評審委員會).

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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**Mr. Liu Renzhi**, aged 43, is the chief economist of the Company, mainly responsible for cost management, production management, raw materials procurement and supply of the Company, and operation of regional market in Yuxi. Mr. Liu has also been serving as a director of Yuxi Building Material since July 2015 and as the chairman of Yuxi Building Material since September 2019. Mr. Liu joined the Company in February 2017.

Prior to joining the Company, Mr. Liu served as the deputy manager and manager of the Operation Department of YNJC Concrete from January 2011 to February 2012, mainly responsible for analyzing business operations and developing and implementing market sales policies. From February 2012 to February 2017, he served successively in the Commercial Concrete Division as the manager of the Operation Department, assistant general manager as well as manager of the Operation Department, and chief economist, mainly responsible for developing and implementing market sales policies, assisting the general manager in carrying out daily management work, taking charge of the company's cost management, raw material procurement and supply, operation of regional market in Yuxi, as well as assisting in the company's production and operation. From July 2015 to July 2017, he served as the general manager of Yuxi Building Material.

Mr. Liu was appointed as the vice chief supervisor (副監事長) of Kunming Bulk Cement and Commercial Concrete Association (昆明市散裝水泥商品混凝土協會) in July 2017.

Mr. Liu graduated from Yunnan Construction Engineering School (雲南省建築工程學校) in July 1996, majoring in industrial and civil architecture. He graduated from Yunnan University in July 2007, majoring in marketing and e-commerce (three-year college). In January 2017, he graduated from Yunnan University majoring in business administration. Mr. Liu obtained the Qualification Certificate of Specialty and Technology in Business Management (Intermediate) issued by the Department of Human Resources and Social Security of Yunnan Province in May 2014.

**Ms. Liang Limin**, aged 43, is the chief engineer of the Company, mainly responsible for presiding over the quality and technology management and assisting in cost management of the Company. Ms. Liang joined the Company in January 2017 and has previously served as deputy chief engineer and director of the Technical Innovation Center of the Company.

Prior to joining the Company, Ms. Liang served successively in the Commercial Concrete Division as the deputy director and director of the Technical Innovation Center, and deputy chief engineer from January 2011 to January 2017, mainly responsible for technical management and quality management, participating in the formulation and implementation of the company's technology development and innovation strategy.

Since August 2017, Ms. Liang has served as a member of the Concrete Quality Professional Committee of the Concrete and Prestressed Concrete Branch of China Civil Engineering Society (中國土木工程學會混凝土及預壓力混凝土分會混凝土質量專業委員會).



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Liang was awarded the second prize of 2011 Science and Technology Innovation Achievements by the China Association of Construction Enterprise Management (中國施工企業管理協會) in October 2012. In October 2013, she was awarded the title of 2012 Outstanding Individual for Science and Technology Innovation by China Association of Construction Enterprise Management. In December 2014, she was awarded the title of Outstanding Individual by the Yunnan Concrete Association. In February 2015 and June 2018, she won the second prize for Scientific and Technological Progress awarded by the Yunnan Provincial People's Government. In April 2016, she was awarded the title of May 1st Female Pioneer (五一巾幗標兵) of Yunnan Province by Yunnan Federation of Trade Unions. In November 2017 and December 2018, she was awarded the title of 2017 Distinguished Concrete Engineer of the Year of Ready-Mixed Concrete Industry (2017年度預拌混凝土行業傑出混凝土工程師) and 2018 Excellent Chief Engineer of the Year of Ready-Mixed Concrete Industry in China (2018年度中國預拌混凝土行業優秀總工程師) granted by Ready-Mixed Concrete Branch of China Concrete and Cement-based Products Association (中國混凝土與水泥製品協會預拌混凝土分會) respectively. In September 2018, she was awarded the title of Yunnan Province Technological Innovation Talents (雲南省技術創新人才) by Yunnan Provincial People's Government.

Ms. Liang obtained a bachelor of engineering degree in inorganic non-metallic materials from Shenyang Institute of Civil Engineering (瀋陽建築工程學院) in July 2000, a master of engineering degree in materials science from Shenyang Architecture University (瀋陽建築大學) in March 2005, and a doctor's degree in highway and railway engineering from Nanjing University of Aeronautics and Astronautics (南京航空航天大學) in June 2011. In November 2017, Ms. Liang was also appraised as a professorate senior engineer (正高級工程師) by the Professorate Senior Engineer Review Committee of Yunnan Province.

**Ms. Xu Airong**, aged 49, is the chief financial officer of the Company, mainly responsible for presiding over the cost accounting and financial management of the Company, taking charge of the integration of finance and business and preparation of comprehensive budget of the Company. Ms. Xu joined the Company in December 2016 and has served as a Director of the Company.

Prior to joining the Company, Ms. Xu served successively as director of the finance division of the Testing and Detection Center (試驗檢測中心財務科科長), accountant in charge of the Electrical Instrument Branch, accountant in charge of the third branch (第三分公司) and director of the Audit Department in YNJC Installation Co., Ltd. (雲南建工安裝股份有限公司) from April 2002 to February 2013. The company's principal business was construction of electromechanical installation projects. Ms. Xu was mainly responsible for financial accounting and auditing. From February 2013 to February 2017, she served successively in the Commercial Concrete Division as the deputy chief accountant, deputy financial director, senior business director and chief accountant, mainly responsible for the company's cost accounting and financial management, and presiding over the company's Finance Department and financial divisions of branches and subsidiaries.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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Ms. Xu graduated from Yunnan Radio and Television University (雲南廣播電視大學) in July 1992, majoring in financial accounting. In December 2013, Ms. Xu also was appraised as a senior accountant by the Accounting Profession Senior Accountant Review Committee of Yunnan Province (雲南省會計專業高級會計師評審委員會).

Save as disclosed in their individual biographies under this section, none of the Directors, Supervisors and members of senior management has been a director of any public company, the securities of which are listed on any securities market in Hong Kong or overseas, in the three years immediately preceding the Latest Practicable Date.

As of the Latest Practicable Date, save as disclosed in their individual biographies under this section,

- (i) none of the Directors had any interests in any business, which competes or is likely to compete, either directly or indirectly with our business;
- (ii) none of the Directors or Supervisors is related to any other Directors or Supervisors;
- (iii) none of the Directors or Supervisors holds any interest in the Shares which would be required to be disclosed pursuant to Part XV of the Securities and Futures Ordinance; and
- (iv) there is no additional matter relating to the appointment of the Directors or Supervisors that needs to be brought to the attention of the Shareholders, and there is no additional information relating to the Directors or Supervisors that is required to be disclosed pursuant to Rule 13.51(2) of the Hong Kong Listing Rules.

### Management Continuity

Even though the majority of the Board and senior management have only joined the Company after the commencement of the Track Record Period, our business has been operating under substantially the same management since the commencement of the Track Record Period. All the above senior management and Chairman Ma comprise our core management team (the “**Core Management Team**”). The Core Management Team had been responsible for the management of the Group throughout the Track Record Period and will continue to be responsible for the management of the Group after the Listing. The Core Management Team had taken up management positions and was responsible for the operations of the Commercial Concrete Division before its operating assets were injected into the Company and they continued to hold a majority of the senior management positions in the Company since the operating assets of the Commercial Concrete Division had been injected into the Company.

In light of the fact of the Core Management Team’s management responsibilities, our Directors are therefore of the view that the substantial involvement of the Core Management Team in the management of the Commercial Concrete Division and of the Company demonstrates that the management continuity requirement is fulfilled pursuant to Rule 8.05(1)(b) of the Hong Kong Listing Rules.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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For more details of the Commercial Concrete Division and the history and development of the Group, please refer to the section headed “History, Development and Corporate Structure”. For more details of the roles and functions of the relevant member of the senior management of the Company, please refer to their individual biographies under this section.

### **COMPANY SECRETARY**

Mr. Rao Ye is a joint company secretary of the Company, whose biographical details are set out in “– Directors” above.

Ms. Wong Sau Ping is a joint company secretary of the Company. Ms. Wong currently serves as a deputy director of the Listed Company Service Department of TMF Hong Kong Limited (a global corporate services provider). Ms. Wong has over 18 years of experience in the field of company secretary. She obtained a bachelor of business administration degree in applied economics from Hong Kong Baptist University in December 1996 and a master of arts degree in professional accounting and information systems from the City University of Hong Kong in November 2004. In September 2004, she became a member of the Hong Kong Institute of Chartered Secretaries and the Institute of Chartered Secretaries and Administrators in the United Kingdom.

### **BOARD COMMITTEES**

We have established five Board committees, namely the Audit Committee, the Nomination Committee, the Remuneration and Evaluation Committee, the Strategy Committee, and the Risk Management and Control Committee.

#### **Audit Committee**

The Audit Committee consists of three Directors, namely, Mr. Li Hongkun, Mr. Liu Guangcan and Mr. Wong Kai Yan Thomas. Mr. Li Hongkun currently serves as the chairman of the Audit Committee.

The main responsibilities of the Audit Committee include:

- (i) proposing the appointment, re-appointment and removal of the external auditor, making recommendations to the Board, and approving the remuneration and terms of engagement of the external auditor;
- (ii) reviewing and monitoring the independence and objectivity of the external auditor and the effectiveness of the audit process, discussing the nature, scope, method and relevant reporting obligation(s) of the audit with the auditor before the commencement of audit, formulating and implementing policies on the engagement of external auditors to provide non-audit services;

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- (iii) monitoring the authenticity, completeness and accuracy of the financial statements of the Company and the Company's annual reports and accounts, half-year reports and quarterly reports (if any) and reviewing the material opinion on the relevant financial reports contained in the statements and reports;
- (iv) reviewing the Company's systems of financial control and internal control, discussing the internal control system with the management to ensure that the management has performed its duty to establish effective internal control systems;
- (v) being responsible for the communication between the internal auditing department and the external auditor, acting as the key representative between the Company and the external auditor, and being responsible for monitoring the relationship between them;
- (vi) being responsible for the confirmation of the list of connected persons of the Company, overall review of connected transactions and regular review of the overall situation of the Company's connected transactions; and
- (vii) other matters authorized by the Board or required under the relevant laws and regulations.

### **Nomination Committee**

The Nomination Committee consists of three Directors, namely, Mr. Ma Minchao, Mr. Yu Dingming and Mr. Li Hongkun. Mr. Yu Dingming currently serves as the chairman of the Nomination Committee.

The main responsibilities of the Nomination Committee include:

- (i) establishing standards, procedures and methods for the selection of Directors and senior management of the Company and submitting the same to the Board for deliberation;
- (ii) reviewing the structure, size, composition and relevant qualities (including skill, knowledge and experience) of the Board at least annually, and making recommendations on any proposed changes to the Board to complement the Company's corporate strategy;
- (iii) identifying persons qualified to serve as Board members, examining and proposing candidates for Directors, general manager, secretary to the Board and other members of the management;
- (iv) evaluating the overall skill, expertise and experience of Directors and senior management and assessing the independence of the independent non-executive Directors;

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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- (v) reviewing the policy on Board diversity and any measurable objectives for implementing the policy on Board diversity as may be adopted by the Board from time to time and reviewing the progress on achieving the objectives; and
- (vi) other matters authorized by the Board or required under the relevant laws and regulations.

### **Remuneration and Evaluation Committee**

The Remuneration and Evaluation Committee consists of three Directors, namely, Mr. Rao Ye, Mr. Yu Dingming and Mr. Li Hongkun. Mr. Yu Dingming currently serves as the chairman of the Remuneration and Evaluation Committee.

The main responsibilities of the Remuneration and Evaluation Committee include:

- (i) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration and on formulating a formal and transparent procedure for developing remuneration policy;
- (ii) determining the specific remuneration for all executive Directors and senior management, including benefits in kind, pension rights and compensation payments (including any compensation payable for loss or termination of their office or appointment), and proposing to the Board with respect to the remuneration of the non-executive Directors;
- (iii) formulating management measures on the performance evaluation of senior management of the Company, making evaluation plans and determining evaluation objectives;
- (iv) reviewing the performance by the Directors and senior management of their responsibilities and conducting an annual evaluation of their performance;
- (v) discussing the policies of and plans on the salary, benefits, rewards and punishments of the Company, making recommendations to the Board about and monitoring the implementation of the same; and
- (vi) other matters authorized by the Board or required under the relevant laws and regulations.

### **Strategy Committee**

The Strategy Committee consists of five Directors, namely, Mr. Ma Minchao, Mr. Rao Ye, Mr. Lu Jianfeng, Mr. Liu Guangcan and Mr. Li Hongkun. Mr. Ma Minchao currently serves as the chairman of the Strategy Committee.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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The main responsibilities of the Strategy Committee include:

- (i) conducting researches and submitting proposals regarding strategic plans for the long-term development of the Company;
- (ii) issuing notices on formulating the Company's strategic plans, organizing the analysis and discussion of the strategic plans, and considering the strategic plans and the adjustments thereto;
- (iii) supervising the implementation of strategic plans and regularly assessing the implementation thereof;
- (iv) conducting research and making recommendations regarding the major issues affecting the Company's development strategies, such as company transformation, restructuring, listing, major investment and financing, asset acquisition, capital operation, and equity acquisition, which are subject to consideration or approval by the Board as required by the Articles of Association;
- (v) conducting researches and submitting proposals regarding other material matters that may affect the Company's development;
- (vi) carrying out examination on the implementation of items (iv) to (v), and reporting the results to the Board;
- (vii) submitting Board meeting proposals to the Board regarding the development strategies of the Company; and
- (viii) other matters authorized by the Board or required under the relevant laws and regulations.

### **Risk Management and Control Committee**

The Risk Management and Control Committee consists of seven Directors, namely, Mr. Liu Guangcan, Mr. Ma Minchao, Ms. Hu Zhurong, Mr. He Jianqiang, Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun. Mr. Liu Guangcan currently serves as the chairman of the Risk Management and Control Committee.

The main responsibilities of the Risk Management and Control Committee include:

- (i) specifically organizing and implementing predictive risk assessment of the Company's strategic decisions, major investment decisions, major financing decisions, major restructuring decisions, major asset disposal decisions, corporate merger and division decisions, organizational structure decisions and other risk-related matters, and preparing minutes of the Risk Control Committee meeting to be submitted together with relevant opinions and proposals to the Board of the Company for deliberation;

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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- (ii) organizing the formulation of the Company's risk management system according to the basic regulations of the internal control, and supervising the implementation and effectiveness thereof;
- (iii) assisting the Board of the Company in conducting risk assessment in advance for matters to be considered by the Board, and preparing corresponding risk assessment reports;
- (iv) carrying out risk assessment and risk analysis proactively or in accordance with the authorization and instructions of the Board, and studying important investigation results and the response of the management to the investigation results;
- (v) supervising the establishment of the Company's risk management system and supervising the daily risk management of the Company; and
- (vi) performing other risk management duties as required by the Articles of Association and relevant laws and regulations from time to time.

### **BOARD DIVERSITY POLICY**

In order to enhance the effectiveness of the Board and maintain a high standard of corporate governance, we have adopted the board diversity policy which sets out the aim and approach towards achieving and maintaining diversity of the Board. Pursuant to the Board diversity policy, when selecting the candidates to the Board, we will consider a number of factors, including but not limited to gender, age, culture, educational background, ethnicity, professional experience, skills, knowledge and length of service, in order to achieve the Board diversity. The ultimate decision of the appointment will be based on merit and contribution that the selected candidates will bring to the Board.

Our Directors have a balanced mix of knowledge and skills, including knowledge and skills in terms of production and manufacturing of concretes business, financial management, accounting and law. They also obtained professional degrees in various majors, including business administration, law, construction materials, accounting and environmental engineering. We have three independent non-executive Directors with different industry backgrounds, representing one-third of the members of our Board. In addition, our Board has a wide range of age, ranging from 33 years old to 53 years old. We have also taken, and will continue to take, steps to promote gender diversity of our Board. Currently, one of our executive Directors is female. While we recognize that the gender diversity at our Board level can be improved given the majority of our Directors are male, we will continue to apply the appointment criteria based on competence and with reference to the overall diversity policy. Our Board will also ensure that appropriate balance of gender diversity is achieved with reference to investors' expectation, and international and local recommended best practices.

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## **DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT**

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Our Nomination Committee will be responsible for ensuring the diversity of our Board. After the Listing, our Nomination Committee will monitor the implementation of the board diversity policy, review and amend this policy when necessary to ensure its effectiveness. We will also disclose the implementation of the board diversity policy in our corporate governance report on an annual basis.

Taking into account our existing business model and specific needs as well as the different background and abilities of our Directors, our Directors are of the view that the composition of our Board satisfies our board diversity policy.

### **THE COMMUNIST PARTY COMMITTEE**

The Company has established the Communist Party Committee, and its main responsibilities are as follows:

- playing a core role in leadership and politics, providing support and guidance to the Company in its production and operation, and supervising the thorough implementation of the Party's and national guidelines, policies and major deployment in the Company, supervising the Company in its reform and development as well as making recommendations to the Board or general manager in respect of the Company's medium and long-term development or strategic guidelines and objectives;
- assuming the main responsibility for building good conduct and political integrity within the Communist Party of China, and enhancing the unified leadership on building good conduct and political integrity within the Communist Party of China and fighting against corruption;
- supporting general meetings, the Board, the Supervisory Committee and senior management to fulfill their functions according to the laws. Matters of "Three Majors and One Greatness" must be decided after considering the opinions provided by the Party Committee;
- playing a guiding and supervisory role in personnel appointment by implementing education, training and evaluation for leaders in accordance to the principle of the Party's management of cadres and talents, making recommendations to the Board or general manager for the appointment and removal of the Company's leaders, and strengthening the supervision over the leaders of the Company;
- researching and arranging the Party group work of the Company, improving its own construction, leading the Company's ideological and political work, spiritual civilization construction and the mass organizations including the Labor Union and the Communist Youth League; and



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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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- supporting the work of the Congress of Workers and Staff, which is established in accordance with applicable PRC laws. The Congress of Workers and Staff performs its function for the purpose of safeguarding rights and protecting legal interests of the workers and staff through its rights of participation in discussion of important matters of the enterprise, rights of information and making suggestions and rights of election of worker and staff representatives on the Board and in the Supervisory Committee.

### REMUNERATION OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The Directors, Supervisors and senior management members who receive remuneration from the Company are paid in forms of salaries, fees, benefit plans, discretionary bonuses and other benefits (such as allowances and subsidies). The remuneration of the Directors, Supervisors and senior management members is determined with reference to the market standard of the industry and the operations of the Company.

The table below sets out the total remuneration paid to the Directors and Supervisors and the five highest paid individuals (including Directors) for each of the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019.

	Year ended December 31,			Four months ended
	2016	2017	2018	April 30, 2019
	<i>(RMB million)</i>			
<b>Directors</b>	4.57	2.13	3.09	0.72
<b>Supervisors</b>	0.80	0.70	0.78	0.17
<b>Five highest paid individuals</b>	4.38	3.18	3.54	0.81

During the Track Record Period, no fees were paid by the Company to any of the Directors, Supervisors or the five highest paid individuals as an inducement to join the Company or as compensation for loss of office. None of the Directors or Supervisors has waived or agreed to waive their remuneration during the Track Record Period.

Under the arrangement currently in force, the Company estimates that the total fixed remuneration (before tax) payable to the Directors and Supervisors for the year ending December 31, 2019 is approximately RMB5.32 million.

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## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

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### COMPLIANCE ADVISER

The Company has appointed Alliance Capital Partners Limited as our compliance adviser in compliance with Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules. The material terms of the compliance adviser's agreement are as follows:

- (i) Alliance Capital Partners Limited shall act as our compliance adviser for the purpose of Rules 3A.19 and 19A.05 of the Hong Kong Listing Rules for a period commencing on the Listing Date and ending on the date on which we comply with Rule 13.46 of the Hong Kong Listing Rules in respect of our financial results for the first full financial year commencing after the Listing Date, or until the agreement is terminated, whichever is earlier;
- (ii) the compliance adviser will provide us with certain services, including appropriate guidance and advice as to compliance with the requirements under the Hong Kong Listing Rules and applicable laws, regulations and rules;
- (iii) the compliance adviser will, as soon as reasonably practicable, inform us of any amendment or supplement to the Hong Kong Listing Rules announced by the Hong Kong Stock Exchange from time to time, and of any amendment or supplement to the applicable laws, regulations and rules; and
- (iv) the compliance adviser will act as one of the key communication channels between the Company with the Hong Kong Stock Exchange.

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## SHARE CAPITAL

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### IMMEDIATELY BEFORE THE GLOBAL OFFERING

As of the Latest Practicable Date, the registered share capital of the Company was RMB312,390,000, comprising 312,390,000 Domestic Shares with a nominal value of RMB1.00 each.

### UPON COMPLETION OF THE GLOBAL OFFERING

Immediately after the Global Offering and assuming that the Over-allotment Option is not exercised, the share capital of the Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
Domestic Shares	312,390,000	70.00%
H Shares to be issued pursuant to the Global Offering	<u>133,882,000</u>	<u>30.00%</u>
<b>Total</b>	<b><u>446,272,000</u></b>	<b><u>100.00%</u></b>

Immediately after the Global Offering and assuming that the Over-allotment Option is fully exercised, the share capital of the Company will be as follows:

<u>Description of Shares</u>	<u>Number of Shares</u>	<u>Approximate % of the enlarged issued share capital after the Global Offering</u>
Domestic Shares	312,390,000	66.99%
H Shares to be issued pursuant to the Global Offering	<u>153,964,300</u>	<u>33.01%</u>
<b>Total</b>	<b><u>466,354,300</u></b>	<b><u>100.00%</u></b>

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## SHARE CAPITAL

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### CLASS OF SHARES

Upon completion of the Global Offering, the Shares will consist of Domestic Shares and H Shares. Domestic Shares and H Shares are all ordinary Shares in the share capital of the Company. Apart from certain qualified domestic institutional investors in the PRC, the qualified PRC investors under the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect and other persons who are entitled to hold our H Shares pursuant to relevant PRC laws and regulations or upon approvals of any competent authorities, H Shares generally cannot be subscribed for by or traded between legal or natural PRC persons. Domestic Shares can only be subscribed for by and traded between legal or natural PRC persons, qualified foreign institutional investors and foreign strategic investors.

Domestic Shares and H Shares are regarded as different classes of Shares. The differences between the two classes of Shares, provisions on class rights, dispatch of notices and financial reports to Shareholders, dispute resolution, registration of Shares on different registers of members, the procedure of transfer of Shares and appointment of dividend receiving agents as contained in the Articles of Association are summarized in “Appendix V – Summary of the Articles of Association”.

Furthermore, any change or abrogation of the rights of class Shareholders shall be approved by way of a special resolution at the general meeting of Shareholders and a separate class meeting of class Shareholders convened by the affected class of Shareholders. The circumstances under which a general meeting and/or a class meeting is required are summarized in “Appendix V – Summary of the Articles of Association”. However, the approval of separate classes of Shareholders is not required under the following circumstances:

- (i) issue of Domestic Shares or H Shares of not more than 20% of existing Domestic Shares or H Shares, respectively, either separately or concurrently in a period of 12 months, pursuant to an approval by a special resolution of the general meeting;
- (ii) proposal to issue of Domestic Shares and H Shares of the Company upon its establishment pursuant to approval of the securities regulatory authority under the State Council, provided that such proposal is carried out within 15 months after such approval; or
- (iii) conversion of Domestic Shares by Shareholders to shares listed on overseas stock exchange pursuant to and approved by the CSRC.

Save as described in this prospectus, Domestic Shares and H Shares shall rank *pari passu* with each other in all other respects and, in particular, will rank equally for dividends or distributions declared, paid or made. All dividends for H Shares will be paid in Hong Kong dollars or in the form of additional H Shares whereas all dividends for Domestic Shares will be paid in Renminbi.

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## SHARE CAPITAL

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### CONVERSION OF DOMESTIC SHARES INTO H SHARES

According to stipulations made by the State Council's securities regulatory authority and the Articles of Association, our Domestic Shares may be converted into H Shares, and such converted H Shares may be listed or traded on an overseas stock exchange, provided that prior to the conversion and trading of such converted Shares, the requisite internal approval processes (but without the necessity of shareholders' approval by class) have been duly completed and the approvals from the relevant PRC regulatory authorities, including the CSRC, have been obtained. In addition, such conversion, trading and listing shall in all respects comply with the regulations prescribed by the State Council's securities regulatory authorities and the regulations, requirements and procedures prescribed by the relevant overseas stock exchange.

If any of the Domestic Shares are to be converted, listed and traded as H Shares on the Hong Kong Stock Exchange, such conversion, listing and trading will need the approval of the relevant PRC regulatory authorities, including the CSRC, and the approval of the Hong Kong Stock Exchange. Based on the methodology and procedures for the conversion of our Domestic Shares into H Shares as described in this section, we can apply for the listing of all or any portion of our Domestic Shares on the Hong Kong Stock Exchange as H Shares in advance of any proposed conversion to ensure that the conversion process can be completed promptly upon notice to the Hong Kong Stock Exchange and delivery of shares for entry on our H Share register. As any subsequent listing of additional Shares after our initial listing on the Hong Kong Stock Exchange is ordinarily considered by the Hong Kong Stock Exchange to be a purely administrative matter, it does not require such prior application for listing at the time of our initial listing in Hong Kong.

No shareholder voting by class is required for the listing and trading of the converted Shares on an overseas stock exchange. Any application for listing of the converted Shares on the Hong Kong Stock Exchange after our initial listing is subject to prior notification by way of announcement to inform our Shareholders and the public of any proposed conversion.

As confirmed by our PRC Legal Advisers, the Articles of Association comply with laws and regulations in relation to conversion of domestic shares.

After all the requisite approvals have been obtained, the following procedures will need to be completed in order to effect the conversion: the relevant Domestic Shares will be withdrawn from our Domestic Shares register and we will re-register such Shares on our H Share register maintained in Hong Kong and instruct our H Share Registrar to issue H Share certificates. Registration on our register of members of H Shares will be on the condition that (i) our H Share Registrar lodging with the Hong Kong Stock Exchange a letter confirming the proper entry of the relevant H Shares on the register of members of H Shares and the due dispatch of H Share certificates, and (ii) the admission of the H Shares to trade on the Hong Kong Stock Exchange will comply with the Hong Kong Listing Rules and the General Rules of CCASS and the CCASS Operational Procedures in force from time to time. The converted Shares will not be listed as H Shares until they are re-registered on our register of members of H Shares.

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## SHARE CAPITAL

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As a result of the conversion, the shareholding of the relevant holder of Domestic Shares in our Domestic Share capital registered shall be reduced by the number of Domestic Shares converted and the number of H Shares shall be increased by the number of converted H Shares. As of the Latest Practicable Date, the Directors were not aware of any intention of any holder of Domestic Shares to convert all or part of their Domestic Shares into H Shares.

### **TRANSFER OF SHARES ISSUED PRIOR TO THE GLOBAL OFFERING**

The PRC Company Law provides that in relation to the Hong Kong Public Offering of a company, the shares issued by a company prior to the Hong Kong Public Offering shall not be transferred for a period of one year from the date on which the publicly offered shares are traded on any stock exchange. Accordingly, Shares issued by our Company prior to the Listing Date shall be subject to this statutory restriction and shall not be transferred for a period of one year from the Listing Date.

### **REGISTRATION OF SHARES NOT LISTED ON AN OVERSEAS STOCK EXCHANGE**

According to the Notice of Centralized Registration and Deposit of Non-overseas Listed Shares of Companies Listed on an Overseas Stock Exchange (《關於境外上市公司非境外上市股份集中登記存管有關事宜的通知》) issued by the CSRC, an overseas listed company is required to register its domestic shares with the China Securities Depository and Clearing Corporation Limited within 15 business days upon listing and provide a written report to the CSRC regarding the centralized registration and deposit of the domestic shares as well as the offering and listing of H shares.

## SUBSTANTIAL SHAREHOLDERS

As of the Latest Practicable Date, the following persons directly or indirectly held, or were entitled to exercise the control of, 5% or more of our share capital:

Shareholder	Nature of Interest	Class of Shares	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding
YCIH <sup>(Note 1)</sup>	Beneficial owner	Domestic Shares	228,600,000	73.18%
	Interest held by controlled corporations <sup>(Note 2)</sup>	Domestic Shares	51,450,000	16.47%
		<b>Total:</b>	<b>280,050,000</b>	<b>89.65%</b>
YOIC <sup>(Note 2)</sup>	Beneficial owner	Domestic Shares	51,450,000	16.47%
KMEIC <sup>(Note 3)</sup>	Beneficial owner	Domestic Shares	32,340,000	10.35%

*Notes:*

- (1) YCIH is the largest Shareholder and one of the State-owned Shareholders. Yunnan SASAC held 90.27% equity interest in YCIH and Yunnan Provincial Department of Finance (雲南省財政廳) held 9.73% equity interest in YCIH.
- (2) YOIC is the second largest Shareholder and one of the State-owned Shareholders. It is wholly owned by YCIH. By virtue of the SFO, YCIH is deemed to be interested in the 51,450,000 Domestic Shares held by YOIC.
- (3) KMEIC is the third largest Shareholder and one of the State-owned Shareholders. It is wholly owned by the State-owned Assets Administration Commission of Kunming Economic and Technological Development Zone (昆明經濟技術開發區國有資產管理委員會).

## SUBSTANTIAL SHAREHOLDERS

To the best of the Directors' knowledge and information, the following persons will, immediately following the completion of the Global Offering, have interests or short positions in the Shares or underlying Shares which would be required to be disclosed to us and the Hong Kong Stock Exchange pursuant to Divisions 2 and 3 of Part XV of the SFO:

Name of the Shareholder	Nature of Interest	Class of Shares	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)		
			Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 1)</sup>	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 2)</sup>
YCIH <sup>(Note 3)</sup>	Beneficial owner	Domestic Shares	228,600,000	73.18%	51.22%	228,600,000	73.18%	49.02%
	Interest held by controlled corporations <sup>(Note 4)</sup>	Domestic Shares	51,450,000	16.47%	11.53%	51,450,000	16.47%	11.03%
		<b>Total:</b>	<b>280,050,000</b>	<b>89.65%</b>	<b>62.75%</b>	<b>280,050,000</b>	<b>89.65%</b>	<b>60.05%</b>
YOIC <sup>(Note 4)</sup>	Beneficial owner	Domestic Shares	51,450,000	16.47%	11.53%	51,450,000	16.47%	11.03%
KMEIC <sup>(Note 5)</sup>	Beneficial owner	Domestic Shares	32,340,000	10.35%	7.25%	32,340,000	10.35%	6.93%
Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) <sup>(Note 6)</sup>	Interest held by controlled corporations <sup>(Note 6)</sup>	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%
Zoomlion H.K. Holding Co., Limited (中聯重科(香港)控股有限公司) <sup>(Note 6)</sup>	Interest held by controlled corporations <sup>(Note 6)</sup>	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%
Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司) <sup>(Note 6)</sup>	Beneficial owner	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%



## SUBSTANTIAL SHAREHOLDERS

Name of the Shareholder	Nature of Interest	Class of Shares	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)		
			Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 1)</sup>	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 2)</sup>
China Resources Company Limited (中國華潤有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Inc. (華潤股份有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
CRC Bluesky Limited <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources (Holdings) Company Limited (華潤(集團)有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
CRH (Cement) Limited (華潤集團(水泥)有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Cement Holdings Limited (華潤水泥控股有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司) <sup>(Note 7)</sup>	Beneficial owner	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%

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## SUBSTANTIAL SHAREHOLDERS

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*Notes:*

- (1) The calculation is based on the total number of 446,272,000 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised).
- (2) The calculation is based on the total number of 466,354,300 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is fully exercised).
- (3) YCIH is the largest Shareholder and one of the State-owned Shareholders. Yunnan SASAC held 90.27% equity interest in YCIH and Yunnan Provincial Department of Finance (雲南省財政廳) held 9.73% equity interest in YCIH.
- (4) YOIC is the second largest Shareholder and one of the State-owned Shareholders. It is wholly owned by YCIH. By virtue of the SFO, YCIH is deemed to be interested in the 51,450,000 Domestic Shares held by YOIC.
- (5) KMEIC is the third largest Shareholder and one of the State-owned Shareholders. It is wholly owned by the State-owned Assets Administration Commission of Kunming Economic and Technological Development Zone (昆明經濟技術開發區國有資產管理委員會).
- (6) Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司) is a cornerstone investor of the Company and has agreed to subscribe for 13,388,000 H Shares at the Offer Price. Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) is the sole shareholder of Zoomlion H.K. Holding Co., Limited (中聯重科(香港)控股有限公司), which in turn is the sole shareholder of Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司).
- (7) China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司) is a cornerstone investor of the Company and has agreed to subscribe for 40,164,000 H Shares at the Offer Price. China Resources Company Limited (中國華潤有限公司) is the beneficial owner of the entire issued share capital of China Resources Inc. (華潤股份有限公司), which in turn is the beneficial owner of the entire issued share capital of CRC Bluesky Limited, which in turn is the beneficial owner of the entire issued share capital of China Resources (Holdings) Company Limited (華潤(集團)有限公司), which in turn is the beneficial owner of the entire issued share capital of CRH (Cement) Limited (華潤集團(水泥)有限公司) and Commotra Company Limited (合貿有限公司). CRH (Cement) Limited (華潤集團(水泥)有限公司) directly held approximately 68.63% of the issued share capital of China Resources Cement Holdings Limited (華潤水泥控股有限公司), whereas Commotra Company Limited (合貿有限公司) directly held approximately 0.09% of the issued share capital of China Resources Cement Holdings Limited (華潤水泥控股有限公司), which in turn is the beneficial owner of the entire issued share capital of China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司).

Save as disclosed in this section and the section headed “Appendix VI – Statutory and General Information – 4. Further Information about Directors, Supervisors, Chief Executive and Substantial Shareholders”, the Directors are not aware of any person who will, immediately following the completion of the Global Offering (and the offering of any additional H Shares pursuant to the Over-allotment Option), have an interest or short position in the Shares or underlying shares of the Company which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under Divisions 2 and 3 of Part XV of the SFO or will, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at any general meeting of any other member of the Group.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### OVERVIEW

As of the Latest Practicable Date, YCIH and YOIC (a wholly-owned subsidiary of YCIH) held a total of approximately 89.65% of our total issued share capital. Immediately following the completion of the Global Offering, YCIH and YOIC will hold a total of approximately 62.75% of our enlarged issued share capital (assuming that the Over-allotment Option is not exercised). As such, YCIH and YOIC will continue to be our Controlling Shareholders immediately following the completion of the Global Offering.

### DELINEATION OF BUSINESS FROM OUR CONTROLLING SHAREHOLDERS

#### **Our Business and Our Controlling Shareholders' Businesses**

Our principal businesses include research and development, production and sale of ready-mixed concrete and related products. For further details of our business, please refer to the section headed "Business" in this prospectus.

Our Controlling Shareholders' principal businesses include infrastructure investment, construction and management, real estate development, international projects construction, investment in projects at home and abroad and management of invested projects, also covering construction related areas such as survey, design, research and consultancy, etc.

Our Directors are of the view that our business is clearly delineated from those of our Controlling Shareholders.

#### **Our Controlling Shareholders' Ancillary Arrangements Regarding Concrete Supply**

##### *Arrangements in the PRC*

Our Controlling Shareholders are in need of concrete supply in the construction of their investment and construction projects. Besides purchasing ready-mixed concrete from us and other similar concrete producers, our Controlling Shareholders, depending on the actual situation and requirements of specific projects, also mix concrete themselves for use in their own projects. Our Directors are of the view that the above-mentioned arrangement of our Controlling Shareholders bears essential difference with and is clearly delineated from our business, and does not compete with our business for the following reasons:

- (i) our Controlling Shareholders mix concrete themselves only for use in their own construction projects, which is not sold to other parties, while we produce and sell ready-mixed concrete in our ordinary and usual course of business. The concrete that our Controlling Shareholders mix and use by themselves for individual projects is field concrete, which is in nature different from the ready-mixed concrete that we produce and provide to them that is of higher quality, work efficiency, more stable and controllable, with less environmental pollution. Based on the information provided by YCIH, the estimated amount of concrete mixed by YCIH Group for

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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their own use for each of the three years ended December 31, 2018 is approximately 0.34 million m<sup>3</sup>, 0.41 million m<sup>3</sup> and 0.42 million m<sup>3</sup>, respectively, which represents approximately 2.46%, 2.23% and 2.13%, respectively, of the total volume of concrete purchased by YCIH Group during the corresponding year.

- (ii) according to the relevant PRC regulations, ready-mixed concrete producers shall possess the required qualification to undertake ready-mixed concrete business. Our Controlling Shareholders do not possess the aforesaid required qualification, nor do they possess the crafts and technologies, professional technicians and personnel or specialized production facilities and laboratories to obtain such qualification. Our Controlling Shareholders do not own any ready-mixed concrete production facilities and do not have any production capacity of ready-mixed concrete; and
  
- (iii) mixing concrete onsite in specified urban areas is generally prohibited by the governments at national, provincial and municipal levels. Only under limited circumstances do our Controlling Shareholders undertake concrete mixing on site, such as (a) there being transportation and logistics restrictions for ready-mixed concrete supply; (b) there being no available supply of ready-mixed concrete within certain radius of the relevant construction site; or (c) the amount of concrete required for individual construction project is so small that no supplier of ready-mixed concrete is willing to undertake such project. Our Controlling Shareholders are still in need of supply of considerable amount of ready-mixed concrete for use in their construction projects.

For details of the ready-mixed concrete industry in which we operate, please refer to the section headed “Industry Overview” of this prospectus. For details of the PRC regulatory requirements with respect to ready-mixed concrete, please refer to the section headed “Appendix IV – Summary of Principal Legal and Regulatory Provisions” to this prospectus.

### *Arrangements with Respect to our Exploration of Overseas Markets*

In their investment and construction projects overseas, our Controlling Shareholders are also in need of concrete supply. Besides purchasing ready-mixed concrete from local concrete producers, our Controlling Shareholders, depending on the actual situation and requirements of specific projects, also mix concrete themselves for use in their own projects, which is not sold to other parties. As of the Latest Practicable Date, we had not produced or sold ready-fixed concrete in any of the overseas markets in which our Controlling Shareholders undertake their investment and construction projects.

We consider expanding business operations overseas as part of our future strategic plan. For the overseas markets where our Controlling Shareholders operate and potential business opportunities arising for us, we may cooperate with our Controlling Shareholders for us to tap into such markets, benefiting from their knowledge and experience and avoiding risks associated with conducting business in unfamiliar environment and markets. At the early stage of the relevant project, we may send our specialized staff to work on it, conducting research

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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on the local environment and market on supply of concrete and collecting useful information for us to determine whether to operate in such market. We will make the decision based on our own business needs and judgments. During this process, we may share our findings with our Controlling Shareholders and provide them with assistance in relation to concrete operations from our experience. If we decide to undertake the supply of concrete for the relevant project after our due diligence, we will enter into the transaction with our Controlling Shareholders on normal commercial terms.

Our Directors believe that the aforesaid cooperation with our Controlling Shareholders is mutual and complementary and does not result in any competition with our business by our Controlling Shareholders.

As of the Latest Practicable Date, none of our Controlling Shareholders is interested in any business which competes or is likely to compete, either directly or indirectly, with our business and would require disclosure under Rule 8.10 of the Hong Kong Listing Rules.

### Non-Competition Agreement and Undertakings

YCIH has entered into a Non-Competition Agreement with our Company, which is dated September 25, 2019 (the “**Non-Competition Agreement**”), pursuant to which, YCIH has unconditionally and irrevocably undertaken to our Company (for the interests of our Company itself and other members of our Group) that YCIH shall not, and shall procure that its associates (excluding our Group) will not, directly or indirectly, whether on their own or jointly with another person or company, own, invest in, participate in, develop, operate or engage in any business or company which directly or indirectly competes or may compete with any business of our Company (the “**Restricted Business**”), subject to the following exceptions:

- (i) the holding of or interests in shares in any company which conducts or is engaged in any Restricted Business where (a) in the case of such shares, they are listed on a stock exchange; (b) the aggregated number of shares held by YCIH, together with its associates, whether directly or indirectly, does not exceed 10% of the issued shares of the company in question; and (c) YCIH and its associates do not control the composition of the majority of members of the board of directors of such company and shall not, taken together, have the largest shareholding in such company; and
- (ii) taking up any Business Opportunity (as defined below) in the circumstances as described below.

YCIH has also undertaken in the Non-Competition Agreement that if it or any of its associates (excluding our Group) becomes aware of any business opportunity to own, invest in, participate in, develop, operate or engage in any Restricted Business (the “**Business Opportunity**”), it shall and shall procure its associates (excluding our Group) first refer the Business Opportunity to our Company in writing immediately upon becoming aware of it by identifying the target company or business, the nature of the Business Opportunity, the

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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investment or acquisition costs and all other details reasonably necessary for our Company to consider whether to pursue such Business Opportunity. Any decision on whether to take up the Business Opportunity shall be decided by our independent non-executive Directors. YCIH or any of its associates (excluding our Group) may only take up the Business Opportunity after our Company has issued a written confirmation signed by the independent non-executive Directors confirming that our Company has decided not to take up the Business Opportunity. If there is any material change in the nature, terms or conditions of such Business Opportunity pursued by YCIH or its associates, it shall and shall procure its associates to refer such Business Opportunity as so revised to our Company as if it were a new Business Opportunity.

YCIH has undertaken in the Non-Competition Agreement that if it or any of its associates (excluding our Group) intends to transfer, sell, lease or license royalties to a third party, any Restricted Business (collectively, the “**Disposals**”), it shall and shall procure its associates (excluding our Group) to offer our Group the right of first refusal in terms of such businesses and interest with the equal terms subject to relevant laws and regulations or contractual arrangements with third parties:

- (i) YCIH shall and shall procure its associates to provide our Group with written notice no later than the time of any such Disposals (the “**Disposal Notice**”). For the avoidance of doubt, YCIH and its associates (excluding our Group) are entitled to provide information and/or Disposal Notice to other third parties at the same time or after providing the Disposal Notice to our Group;
- (ii) our Group shall reply to YCIH or its associate in writing within 30 days after receipt of the Disposal Notice;
- (iii) if our Group intends to exercise such right of first refusal, the terms shall be determined with reference to fair market price; and
- (iv) YCIH and any of its associates (excluding our Group) shall not dispose of such businesses and interests to any third parties unless our Group has declined to purchase such businesses and interests in writing, or the notice of exercising such right of first refusal has not been received by YCIH or any of its associates from our Group within 30 days after receipt of the Disposal Notice, or our Group fails to offer the same or more favorable terms of acquisitions than those offered by any third parties to YCIH or any of its associates (excluding our Group). For the avoidance of doubt, the terms of disposal offered by YCIH or any of its associates (excluding our Group) to any third parties shall not be more favorable than those offered to our Group.

YCIH has undertaken in the Non-Competition Agreement that provided that no applicable laws and regulations are breached and agreements with third parties are complied with, our Group is entitled to acquire any businesses operated by YCIH or any of its associates (excluding our Group) which fall within the Restricted Businesses or any businesses or interests which are gained through the above-said Business Opportunities (the “**Option for**

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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**Purchase**”). Our Group is entitled to exercise the Option for Purchase at any time, and YCIH or any of its associates (excluding our Group) shall offer the Option for Purchase to our Group based on the conditions as follows: the commercial terms of the acquisition shall be formed solely by the committee consisting of our independent non-executive Directors after consulting the views of independent experts and such commercial terms shall be based on negotiation between the parties in line with normal commercial practice of our Group which is fair, reasonable and in the interests of our Group as a whole, as in accordance with the negotiations with YCIH and its associates. However, if a third party has the right of first refusal in accordance with applicable laws and regulations and/or a prior legally binding document (including, but not limited to, articles of association and shareholders’ agreements), the Option for Purchase of our Group shall be subject to such third-party rights. In such a case, YCIH shall use and shall procure that its associates (excluding our Group) will use, its/their best efforts to persuade the third party to waive its right of first refusal.

In order to ensure the compliance and enforcement of the undertakings under the Non-Competition Agreement, our Company has adopted the following corporate governance measures:

- (i) the independent non-executive Directors should review, at least on an annual basis, the compliance by YCIH with the Non-Competition Agreement;
- (ii) YCIH further undertakes with our Company that it will provide information necessary for the review to be conducted by the independent non-executive Directors on the compliance with and the enforcement of the Non-Competition Agreement;
- (iii) YCIH further undertakes with our Company that it would allow the authorized representatives or auditors of our Group to have reasonable access to the financial and corporate information necessary to its transactions with third parties, which would assist with the judgments of our Group in respect of whether YCIH and its associates have complied with the undertakings under the Non-Competition Agreement;
- (iv) our Company shall disclose the review by the independent non-executive Directors relating to the compliance and enforcement of the Non-Competition Agreement either through the annual report or by way of an announcement to the public; and
- (v) YCIH further undertakes with our Company that it will provide a written confirmation on the compliance with the undertakings under the Non-Competition Agreement and consent to the inclusion of such confirmation in our annual report and announcement.

The Non-Competition Agreement shall take effect from the Listing Date and the obligations of YCIH under the Non-Competition Agreement shall terminate on the earlier of (i) the H Shares cease to be listed on the Hong Kong Stock Exchange; and (ii) YCIH ceases to be our Controlling Shareholder (as defined under the Hong Kong Listing Rules).

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### INDEPENDENCE FROM OUR CONTROLLING SHAREHOLDERS

YCIH Group, being our Controlling Shareholders and their subsidiaries, has been, during the Track Record Period, and will continue to be, upon completion of the Global Offering, the largest customer of the Group with respect to our sales of products to YCIH Group. Although we have a relatively high proportion of products sold to YCIH Group, we do not rely heavily on YCIH Group. For details of our business relationship with YCIH Group and our sales of products to YCIH Group, please refer to the sections headed “Business”, “Connected Transactions” and “Financial Information”.

Having considered the following factors, our Directors are of the view that our Company is capable of carrying on its business and operating independently from our Controlling Shareholders.

#### Management Independence

The Board is comprised of nine Directors, including four executive Directors, two non-executive Directors and three independent non-executive Directors. Our Directors and members of senior management possess relevant management and/or industry-related experience to act as Directors or senior management of our Company. The daily operational decisions of our Company are the responsibility of our general manager and are supported by our other senior management. For further details of our Directors and senior management, please refer to the section headed “Directors, Supervisors and Senior Management”.

Save as disclosed below, none of our Directors and members of senior management holds any directorship or senior management position in our Controlling Shareholders and any of their close associates.

Name	Position in our Company	Controlling Shareholders and/or their relevant close associate	Position held in the Controlling Shareholders and/or their relevant close associate
Ma Minchao (馬敏超)	Executive Director and chairman	YNJG Yunling Cement Co., Ltd. (雲南建工雲嶺水泥有限公司)	Chairman
Liu Guangcan (劉光燦)	Non-executive Director	YOIC Ruili Cross-border Economic Cooperation Zone Investment and Development Co., Ltd. (瑞麗跨境經濟合作區投資開發有限公司)	Executive director Chairman
		YNJG Urban Construction Investment and Development Co., Ltd. (雲南建工城建投資開發有限公司)	Director



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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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We believe that our Directors and senior management are able to perform their roles in our Company independently of our Controlling Shareholders and that our Company is therefore capable of managing its business independently of our Controlling Shareholders after the Listing for the following reasons:

- the corporate governance procedures of the Board set out in our Articles of Association include provisions to manage potential conflicts of interest by providing, among other things, that, in the event of a conflict of interest, such as resolutions regarding transactions with our Controlling Shareholders and/or their other associates, the relevant Director(s) who are connected with our Controlling Shareholders and/or their other associates shall abstain from voting on such matters and shall not be counted toward the quorum. Further, when considering connected transactions and competition matters, the independent non-executive Directors will review the relevant transactions;
- all senior management members of our Company are full-time employees of our Company;
- even though Mr. Ma Minchao, our executive Director, serves on the board of directors of a close associate of the Controlling Shareholders as elaborated in the above table, his involvement in such company will be minimal and limited to his role as the chairman and he does not participate in the day to day management of such company. Mr. Ma does not hold any other directorship or senior management position in the Controlling Shareholders or their close associates. Mr. Ma will ensure that he will allocate at least approximately 95% of his time and energy in the management of the business and operation of our Group;
- each of our Directors is aware of his/her fiduciary duties as a Director, which require, among other things, that he/she acts for our Company's best interest and that of the Shareholders as a whole; and
- we have appointed three independent non-executive Directors, comprising not less than one-third of our Board with a view to overseeing affairs of our Company and the interests of our Company and the Shareholders as a whole.

On the basis outlined above, our Directors are of the view that the Company has its own management team that is capable of maintaining independence from our Controlling Shareholders.

### **Operational Independence**

We possess sufficient capital, assets, equipment, production and operating facilities and human resources to operate our business independently. We have obtained relevant licenses, approvals and permits from regulatory authorities which are necessary to our operation in the PRC.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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Other than the transactions set forth in the section headed “Connected Transactions”, we have independent access to independent suppliers and independent customers for the operation of our business. Our Group has the skill and network to independently explore new market opportunity and solicit business opportunities with independent suppliers and customers. Operational and financial decisions are made by our Board and/or senior management, which are independent of our Controlling Shareholders.

Our Company has established its own operating structure and is composed of a number of departments, each of which has its own functions. Our Company has also developed an internal control mechanism in order to facilitate effective business operations. All of our Group’s administrative functions are performed by full-time employees of our Group.

We have also adopted measures to ensure the oversight and the enforceability of the Non-Competition Agreement between our Company and YCIH. For further details, please refer to “– Non-Competition Agreement and Undertakings”.

Based on the above, our Directors are of the view that our Company operates independently of our Controlling Shareholders and their other associates.

### **Financial Independence**

Our Company has an independent accounting and financial management system and makes financial decisions according to our own business needs, and our Directors are of the view that our Company will continue to be financially independent from our Controlling Shareholders on the basis of the following reasons:

- we have our own financial system and financial team responsible for our own financial functions, cash receipts and payments, financing and facility management. We also have our own internal control and accounting system, as well as accounting and finance department;
- we believe we have sufficient capital and banking facilities to operate our business independently, and have adequate internal resources and a sound credit profile to support our daily operations and independent access to third party financing; and
- as of the Latest Practicable Date, except for the dividend of RMB240,368,640 which has been declared to our Controlling Shareholders and is expected to be paid prior to the Listing, we did not have amount due to and from our Controlling Shareholders and their associates arising outside the ordinary and usual course of our business (including any guarantees and indemnities provided by such entities for our benefit to securing loans).

For further details of dividends of our Company, please refer to the section headed “Financial Information”.

In light of the above, our Directors are of the view that our Company is not financially dependent on our Controlling Shareholders.

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## RELATIONSHIP WITH OUR CONTROLLING SHAREHOLDERS

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### CORPORATE GOVERNANCE MEASURES

Our Directors believe that there are further adequate corporate governance measures in place to manage any conflict of interest between our Company and our Controlling Shareholders arising from connected transactions and potential competing business and to safeguard the interests of the Shareholders, including:

- our Board has a balanced composition of executive Directors, non-executive Directors and independent non-executive Directors that can facilitate the exercise of independent judgment. With the expertise in their respective professional fields, our Directors believe that the independent non-executive Directors have the necessary caliber and expertise to form and exercise independent judgment in the event that conflicts of interest between our Company and our Controlling Shareholders arise;
- in the event of a conflict of interest, such as resolutions regarding transactions with our Controlling Shareholders and/or their other associates, the relevant Director(s) who are connected with our Controlling Shareholders shall abstain from voting on such matters and shall not be counted toward the quorum at the relevant Board meeting. Further, when considering connected transactions and competing business, the independent non-executive Directors will review the relevant transactions, and where needed, we will engage additional independent consultants to provide advice to the independent non-executive Directors;
- in the event that any potential conflict of interest in connection with our Controlling Shareholders arises at the shareholders' level, our Controlling Shareholders and their close associates shall abstain from voting at the general meeting of our Company with respect to the relevant resolution(s);
- any transaction that is proposed between our Group and any of our Controlling Shareholders and their respective associates will be required to comply with the requirements of the Hong Kong Listing Rules, including, where appropriate, the reporting, annual review, announcement and independent shareholders' approval requirements;
- our Company has appointed Alliance Capital Partners Limited as our compliance adviser, which is expected to provide advice and guidance to us in respect of compliance with applicable laws and the Hong Kong Listing Rules, including various requirements relating to directors' duties and internal controls; and
- pursuant to the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules, our Directors, including the independent non-executive Directors, will be able to seek independent professional advice from external parties in appropriate circumstances at our Company's cost.

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## FINANCIAL INFORMATION

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*The following discussion and our analysis should be read in conjunction with our consolidated financial information included in the section headed “Appendix I – Accountant’s Report” together with the accompanying notes and other historical financial information presented in this prospectus. Our consolidated financial information has been prepared in accordance with IFRSs.*

*The following discussion and analysis contain forward-looking statements that involve risks and uncertainties. These statements are based on assumptions and analysis that we make in light of our experience and perception of historical trends, current conditions and expected future developments, as well as other factors we believe are appropriate under the circumstances. However, our actual results may differ significantly from those projected in the forward-looking statements. Factors that might cause future results to differ significantly from those projected in the forward-looking statements include, but are not limited to, those discussed in the sections headed “Risk Factors” and “Forward-Looking Statements” and elsewhere in this prospectus.*

### OVERVIEW

We are a leading ready-mixed concrete producer in China with strong research and development capabilities according to the CIC Report. With our accumulated technological expertise, continuous effort in research and innovation, as well as advanced management capability, we have become the first concrete producer in Yunnan Province to introduce the modernized, scientific and environmentally-friendly manufacturing concepts into our production. Our main products and services include:

- ready-mixed concrete;
- polycarboxylic admixtures;
- aggregates; and
- quality and technology management services.

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our revenue amounted to RMB2,404.6 million, RMB3,112.1 million, RMB3,357.1 million and RMB938.0 million respectively, and our profits for the same period were RMB195.8 million, RMB219.1 million, RMB179.4 million and RMB36.1 million respectively.

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## FINANCIAL INFORMATION

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### **BASIS OF PRESENTATION**

After a series of restructuring steps, our Company was restructured as a joint stock limited company on December 22, 2017. Our business immediately before and after such restructuring was under the common control of Yunnan SASAC, the controlling party of YCIH. For details, please refer to the section headed “History, Development and Corporate Structure”.

Our historical financial information has been prepared by including the financial information of our principal businesses including the ready-mixed concrete supply, which were under the common control of Yunnan SASAC, the controlling party of YCIH, immediately before and after the reorganization and now comprising our Group, as if the current group structure had been in existence throughout the periods presented, or since the date when the consolidating companies first came under the control of Yunnan SASAC, whichever is a shorter period.

Our financial information is prepared in accordance with IFRSs and under the historical cost convention, and is presented in Renminbi. Our financial information includes the financial statements of our Company and subsidiaries during the Track Record Period. The financial statements of our subsidiaries are prepared for the same reporting periods as our Company by adopting the consistent accounting policies. We have adopted December 31 as our financial year end date.

### **KEY FACTORS AFFECTING OUR RESULTS OF OPERATIONS**

Our business and past financial position and results of operation were affected by several key factors, which we believe will continue to affect our financial position and results of operation in the future. The key factors that affect our results of operation are as follows:

#### **General economic conditions, construction industry performance and market competition in the PRC and Yunnan Province**

Concrete is one of the key materials for many construction projects. During the Track Record Period, substantially all of our business was conducted in Yunnan Province, the PRC. The demand for our products, our business and the prospects of future growth rely on the overall economic conditions and the development level of the construction industry in China, especially in Yunnan Province. The conditions of the construction industry and its development depend on the macro-economic landscape in the PRC as well as other factors, such as interest rate, inflation, level of urbanization and social and culture development, unemployment rate, the trend of population distribution and consumer confidence. In the meantime, we are also affected by any change in government policies related to the construction industry in China and Yunnan Province, such as regulations that may affect the land supply for property development, project financing and taxation, as well as local government budgeting. Please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry – Our business and future growth may be affected by the macro-economic condition and performance of the construction industry in China and Yunnan Province”.

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## FINANCIAL INFORMATION

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### **Intensified competition in concrete industry**

The ready-mixed concrete market is a fragmented industry with fierce competition in the PRC. In 2018, there were about 10,000 ready-mixed concrete production enterprises in the PRC, of which only about 2.0% were large-scale enterprises with annual production volume of one million cubic meters or more. Similar to the national ready-mixed concrete market, the ready-mixed concrete market in Yunnan was also fairly fragmented and competitive. In 2018, there were about 370 ready-mixed concrete production enterprises in Yunnan Province, among which only five were large-scale ready-mixed concrete production enterprises with annual output of one million cubic meters or more, accounting for 1.4% of the total ready-mixed concrete production enterprises (in terms of number). As a result, we compete with national concrete production enterprises with operations in Yunnan Province as well as small regional concrete producers in regional markets. We compete directly with the competitors for customers, raw materials, energy resources and distribution network. If we fail to compete effectively with our competitors in terms of product quality, product type, technology, location of production facilities, access to resources, sales and marketing network, production efficiency and market reputation, our business, financial position and results of operation may be adversely affected in the face of the fiercely competitive market environment. Please refer to the sections headed “Industry Overview – Competition Landscape of Ready-mixed Concrete Markets in China and Yunnan Province” and “Risk Factors – Risk Relating to Our Business and Industry – The intensified competition in the concrete industry may have adverse impacts on our business and financial condition”.

### **Sales volume and production capacity**

Our results of operation are directly affected by the sales volume of our products, which is mainly determined by the demand for the products in Yunnan Province where our main market lies, as well as our ability to satisfy such demand. The economic growth in Yunnan Province has boosted the market demand for ready-mixed concrete. As a result, we have recorded increasing ready-mixed concrete production volume in the past three financial years. As the production of our ready-mixed concrete is driven by the sales prospects, the difference between the production and sales volume of our ready-mixed concrete is minimal. In 2016, 2017 and 2018 and in the four months ended April 30, 2019, we produced and sold 7.7 million cubic meters, 8.9 million cubic meters, 9.1 million cubic meters and 2.6 million cubic meters of ready-mixed concrete, respectively. To satisfy the increasing market demand, we have been improving our production capacity by building new batching plants and leasing the equipment for batching plants from third parties. For the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019, the production capacity of our batching plants was approximately 12.4 million cubic meters, 19.7 million cubic meters, 21.3 million cubic meters and 7.6 million cubic meters, respectively. We plan to further expand our production capacity to satisfy the increasing market demand if required.

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In addition, the supply of our concrete is subject to the construction progress of our customers. During the Track Record Period, our revenue was recognized upon the delivery, acceptance and confirmation of our products by customers, and hence our revenue is affected by the construction progress of our customers. The demand for concrete may fluctuate subject to different construction stages of customers' construction projects, as a result, our revenue may fluctuate in line therewith. The construction projects of our customers generally have long duration, which may subject to factors that are beyond our control, such as weather conditions, Chinese New Year and funding of the construction projects of our customers. For details, please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – The demand for our certain products is subject to seasonality as weather conditions may affect the level of construction activities".

### **Supply of raw materials**

Raw materials used in our production mainly include binding materials (including, among other things, cement, slag powder, coal ash and compound mineral additives), aggregates and admixtures. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our costs of raw materials accounted for about 75.2%, 72.5%, 72.5% and 72.6% of our total cost of sales, respectively. The prices of raw materials may fluctuate from time to time as a result of various factors, such as, fluctuations in commodity prices and changes in government policies. We expect that the demand for raw materials will increase along with the growth of our production capacity and expansion of our business. Therefore, any increase in the price of our major raw materials could lead to an increase in our cost of sales which may be borne by us. Please refer to the section headed "Risk Factors – Risks Relating to Our Business and Industry – The shortage in supply or increase in prices of raw materials may affect our business".

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The sensitivity analysis below has been determined based on our exposure to cement price fluctuations during the Track Record Period with all other variables, including among others, the selling price of our concrete, remaining constant.

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the period <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the period %	Increase/ (decrease) in profit for the period <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the period %
Cement price increases by 5%	(23,297)	(11.9)	(39,173)	(17.9)	(43,836)	(24.4)	(13,705)	(27.3)	(12,305)	(34.1)
Cement price decreases by 5%	23,297	11.9	39,173	17.9	43,836	24.4	13,705	27.3	12,305	34.1
Cement price increases by 10%	(46,594)	(23.8)	(78,347)	(35.8)	(87,672)	(48.9)	(27,409)	(54.6)	(24,610)	(68.2)
Cement price decreases by 10%	46,594	23.8	78,347	35.8	87,672	48.9	27,409	54.6	24,610	68.2
Cement price increases by 17.2% <sup>Note 1</sup>	(80,357)	(41.0)	(135,119)	(61.7)	(151,201)	(84.3)	(47,271)	(94.1)	(42,443)	(117.7)
Cement price decreases by 17.2% <sup>Note 1</sup>	80,357	41.0	135,119	61.7	151,201	84.3	47,271	94.1	42,443	117.7
Cement price increases by 0.4% <sup>Note 1</sup>	(2,029)	(1.0)	(3,412)	(1.6)	(3,818)	(2.1)	(1,194)	(2.4)	(1,072)	(3.0)
Cement price decreases by 0.4% <sup>Note 1</sup>	2,029	1.0	3,412	1.6	3,818	2.1	1,194	2.4	1,072	3.0

**Note:**

- 17.2% and 0.4% represent the high and low ends of the fluctuation range of increase of the cement price during the Track Record Period, respectively, calculated by comparing the average unit price of the cement during the year/period with that of the last corresponding year/period.



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The sensitivity analysis below has been determined based on our exposure to aggregates price fluctuations during the Track Record Period with all other variables, including among others, the selling price of our concrete, remaining constant.

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the year <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the year %	Increase/ (decrease) in profit for the period <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the period %	Increase/ (decrease) in profit for the period <i>(RMB'000)</i>	Percentage of increase/ (decrease) in profit for the period %
Aggregates price increases by 5%	(18,839)	(9.6)	(29,438)	(13.4)	(30,489)	(17.0)	(10,275)	(20.5)	(9,231)	(25.6)
Aggregates price decreases by 5%	18,839	9.6	29,438	13.4	30,489	17.0	10,275	20.5	9,231	25.6
Aggregates price increases by 10%	(37,677)	(19.2)	(58,876)	(26.9)	(60,978)	(34.0)	(20,549)	(40.9)	(18,463)	(51.2)
Aggregates price decreases by 10%	37,677	19.2	58,876	26.9	60,978	34.0	20,549	40.9	18,463	51.2
Aggregates price increases by 16.3% <sup>Note 1</sup>	(61,476)	(31.4)	(96,065)	(43.8)	(99,496)	(55.4)	(33,529)	(66.8)	(30,125)	(83.5)
Aggregates price decreases by 16.3% <sup>Note 1</sup>	61,476	31.4	96,065	43.8	99,496	55.4	33,529	66.8	30,125	83.5
Aggregates price increases by 0.9% <sup>Note 1</sup>	(3,469)	(1.8)	(5,421)	(2.5)	(5,615)	(3.1)	(1,892)	(3.8)	(1,700)	(4.7)
Aggregates price decreases by 0.9% <sup>Note 1</sup>	3,469	1.8	5,421	2.5	5,615	3.1	1,892	3.8	1,700	4.7

**Note:**

1. 16.3% and 0.9% represent the high and low ends of the fluctuation range of increase of the aggregates price during the Track Record Period, respectively, calculated by comparing the average unit price of the aggregates during the year/period with that of the last corresponding year/period.

Our contracts are generally performed at a fixed unit price. Our sales contracts with our customers generally contain a price adjustment clause which provides an adjustment mechanism to be triggered once the market price of raw materials increases or decreases up to a percentage (usually 5%). Under this price adjustment mechanism, we are entitled to negotiate with the customers on the adjustment of our sales price. For the products produced in our project batching plants, which generally serve the needs of specific infrastructure construction projects having a long construction duration, we may only negotiate the adjustment in our sales price at a later stage of the project. For large scale infrastructure construction projects, it may

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## FINANCIAL INFORMATION

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take more than a year for us to realize the price adjustment after the price adjustment mechanism is triggered. As such, the transfer of any additional cost incurred as a result of substantial increase in the price of raw materials may be significantly delayed resulting in an adverse impact on our gross profit and gross profit margin of such year. After the negotiation with the customers on price adjustment, a supplemental agreement is entered into with respect to the adjusted price and the starting date of such adjustment. The price adjustment may, in some cases, have retrospective effect. Any revenue generated from the adjustment on the sales price is recognized in the year in which the adjustment takes effect.

### **Pricing of our products**

We secure part of our projects and business through competitive negotiation and bidding and tendering. Our major product, ready-mixed concrete, is a downstream product, the price of which is determined based on the following factors: prices of raw materials (such as cement, aggregates and mineral additives), project complexity and technical difficulties, geological conditions of the construction project, cost for construction of batching plants, amortization of equipment and fixed cost, labor costs and requirements on equipment, and prevailing market price. Please refer to the sections headed “Business – Sales and Marketing – Pricing Policy” and “Risk Factors – Risks Relating to Our Business and Industry – The intensified competition in the concrete industry may have adverse impacts on our business and financial condition”.

### **Transportation cost and depreciation and amortization**

The sales of our concrete depend on our ability to transport concrete to our customers’ construction sites at reasonable transportation costs. In particular, there are many mountains and hills in Yunnan Province, and hence, both one-way transportation distance and cost of ready-mixed concrete are generally higher than the national average. The sales of our products are limited by transportation distance and cost. Increased transport costs per unit distance may lead to the increase in our transportation cost, and our cost of sales as well. Please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry – Our operation and growth prospects are subject to our transportation cost, capacity constraints and labor cost”.

We rely on our production facilities (including batching plants and other production equipment) for our production and business development, and thus our cost of sales includes depreciation and amortization of such facilities.

### **Taxation**

During the Track Record Period, we were entitled to a preferential tax treatment in the year 2017 and 2018 granted to High-tech Enterprises. On November 1, 2017, our Company was certified as a High-tech Enterprise by the relevant government authorities in Yunnan Province, which is valid for three years starting from 2017 and is renewable upon fulfillment of certain qualification requirements. During such validity period, our Company is entitled to enjoy a preferential enterprise income tax rate of 15% in accordance with the Enterprise Income Tax

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Law of the PRC and other applicable laws and regulations of the PRC. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our effective income tax rates were 25.5%, 19.3%, 17.3% and 16.9%, respectively. Any termination or change in the preferential tax treatment we currently enjoy may adversely affect our results of operation and financial position. Please refer to the section headed “Risk Factors – Risks Relating to Our Business and Industry – Any changes in the tax preferential treatment we currently enjoy in China may adversely affect our financial condition”.

### **SIGNIFICANT ACCOUNTING POLICIES**

The Accountant’s Report in Appendix I to this prospectus sets forth certain significant accounting policies in Note 2, which are important for understanding our financial condition and results of operations.

Some of our accounting policies involve critical accounting estimates and judgments that are discussed in Note 4 of “Appendix I – Accountant’s Report”. Estimates, assumptions and judgment are continually evaluated and are based on historical experience and other factors by our management, including expectations of future events that are believed to be reasonable under the circumstances. We make estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. Please refer to Note 4 of “Appendix I – Accountant’s Report”.

### **IMPACT OF ADOPTION OF CERTAIN ACCOUNTING STANDARDS AND AMENDMENTS THERETO**

#### **Adoption of IFRS 9 and IFRS 15**

IFRS 9, “Financial instruments” and IFRS 15, “Revenue from contracts with customers” have been adopted by us in the preparation of the historical financial information throughout the Track Record Period.

We have assessed the effects of the adoption of IFRS 9 and IFRS 15 on our financial information and identified the following areas that have been affected:

- Adoption of new impairment model. IFRS 9 requires the recognition of impairment provisions of financial assets measured at amortized cost based on expected credit losses. We assessed that the adoption of the new impairment methodology would not result in significant difference on bad debt provision.
- Presentation of contract liabilities in the consolidated statements of financial position. IFRS 15 requires separate presentation of contract liabilities in the consolidated statements of financial position. This has resulted in some reclassification in relation to our unsatisfied performance obligations. As of December 31, 2016, 2017 and 2018 and as of April 30, 2019, contract liabilities of RMB212,000, RMB78,313,000, RMB48,146,000 and RMB29,054,000, respectively, should have been presented as “trade and other payables” should IAS 18 be applied throughout the Track Record Period.

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Based on our above assessment, we consider that the adoption of IFRS 9 and IFRS 15 did not have significant impact on our financial position and performance during the Track Record Period.

### Adoption of IFRS 16

IFRS 16 “Leases” are mandatorily effective for annual periods beginning on or after January 1, 2019. IFRS 16 replaced IAS 17 “Leases” and related interpretations. Under IAS 17, operating lease commitments were disclosed separately in a note to the consolidated financial information and were not recognized in the consolidated statements of financial position. Under IFRS 16, all leases (except for those with lease term of less than 12 months or of low value) must be recognized in the form of an asset (being the right-of-use assets included in property, plant and equipment in our financial statements) and a financial liability (being the lease liabilities in the financial information), and, accordingly, each lease will be mapped in the consolidated statements of financial position.

After due and careful consideration and taking into account of, among other things, the significance of operating leases to our Group, the consolidated statements of financial position prepared under IFRS 16 will provide more information to the financial statement users and the potential impact of the adoption of such standards in a later stage, our Directors decided to adopt IFRS 16 in the Historical Financial Information.

Following the adoption of IFRS 16, leases are recognized in the form of an asset (being the right-of-use assets) together with financial liabilities (being lease liabilities) and in respect of which depreciation expenses and finance costs are charged instead of lease expenses. Accordingly, certain financial ratios are also affected. The table set forth below summarized the impacts of the adoption of IFRS 16 on certain key items of our consolidated financial information except for gearing ratio which is not applicable.

#### *Current ratio (unit: times)*

	<u>As of December 31,</u>			<u>As of</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>April 30,</u>
				<u>2019</u>
As if reported under IAS 17	1.2	1.3	1.3	1.2
Currently reported under IFRS 16	<u>1.2</u>	<u>1.3</u>	<u>1.3</u>	<u>1.2</u>
Difference	<u>—</u>	<u>—</u>	<u>—</u>	<u>—</u>

Current ratio equals to current assets divided by current liabilities as of the end of the year/period.

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### *Quick ratio (unit: times)*

	As of December 31,			As of
	2016	2017	2018	April 30,
				2019
As if reported under IAS 17	1.2	1.3	1.3	1.2
Currently reported under IFRS 16	1.2	1.2	1.3	1.2
Difference	–	0.1	–	–

Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the year/period.

### *Net profit*

	Year ended December 31,			Four months ended	
	2016	2017	2018	April 30,	2019
	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)	(RMB'000)
As if reported under IAS 17	196,272	219,855	179,214	50,345	35,761
Currently reported under IFRS 16	195,817	219,094	179,449	50,224	36,075
Difference	455	761	(235)	121	(314)

*Unaudited*

### *Net Assets*

	As of December 31,			As of
	2016	2017	2018	April 30,
	(RMB'000)	(RMB'000)	(RMB'000)	2019
As if reported under IAS 17	640,930	811,331	957,555	723,304
Currently reported under IFRS 16	638,898	808,538	954,997	721,060
Difference	2,032	2,793	2,558	2,244

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In particular, the above-mentioned differences are principally due to the differences in our right-of-use assets, lease liabilities, depreciation of right-of-use assets and lease expenses during the Track Record Period as a result of the adoption of IFRS 16, and the impact of which are further summarized below:

### *Right-of-use Assets*

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
As if reported under IAS 17	–	–	–	–
Currently reported under IFRS 16	<u>41,518</u>	<u>57,775</u>	<u>36,831</u>	<u>25,885</u>
Difference	<u><u>(41,518)</u></u>	<u><u>(57,775)</u></u>	<u><u>(36,831)</u></u>	<u><u>(25,885)</u></u>

### *Lease liabilities*

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
As if reported under IAS 17	–	–	–	–
Currently reported under IFRS 16	<u>37,591</u>	<u>54,660</u>	<u>37,220</u>	<u>26,610</u>
Difference	<u><u>(37,591)</u></u>	<u><u>(54,660)</u></u>	<u><u>(37,220)</u></u>	<u><u>(26,610)</u></u>

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### *Depreciation of right-of-use assets*

	<u>Year ended December 31,</u>			<u>Four months ended</u>	
				<u>April 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
As if reported under IAS 17	–	–	–	–	–
Currently reported under IFRS 16	<u>17,216</u>	<u>33,543</u>	<u>40,297</u>	<u>13,181</u>	<u>11,109</u>
Difference	<u><u>(17,216)</u></u>	<u><u>(33,543)</u></u>	<u><u>(40,297)</u></u>	<u><u>(13,181)</u></u>	<u><u>(11,109)</u></u>

### *Lease expenses*

	<u>Year ended December 31,</u>			<u>Four months ended</u>	
				<u>April 30,</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2018</u>	<u>2019</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
As if reported under IAS 17	93,705	177,489	134,024	49,821	27,976
Currently reported under IFRS 16	<u>75,466</u>	<u>143,940</u>	<u>91,813</u>	<u>36,031</u>	<u>16,556</u>
Difference	<u><u>18,239</u></u>	<u><u>33,549</u></u>	<u><u>42,211</u></u>	<u><u>13,790</u></u>	<u><u>11,420</u></u>

Based on our assessment, we consider that the net impact on our financial performance and our net assets as a result of the adoption of IFRS 16 is not significant as compared to that of IAS 17; however, our right-of-use assets and lease liabilities on the consolidated statements of financial position have been recognized as a result of the adoption of IFRS 16 as set out above, as compared to that of IAS 17.

## FINANCIAL INFORMATION

### SELECTED FINANCIAL INFORMATION

The following table sets forth the summary of our consolidated statements of comprehensive income for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
<b>Revenue</b>	2,404,585	3,112,091	3,357,117	1,069,918	937,987
Cost of sales	<u>(2,009,605)</u>	<u>(2,708,304)</u>	<u>(2,997,649)</u>	<u>(968,729)</u>	<u>(852,340)</u>
<b>Gross profit</b>	<u>394,980</u>	<u>403,787</u>	<u>359,468</u>	<u>101,189</u>	<u>85,647</u>
Selling expenses	(7,975)	(15,368)	(14,407)	(4,500)	(3,580)
Administrative expenses	(90,025)	(108,287)	(114,553)	(30,827)	(32,847)
Net impairment losses on financial assets	(16,356)	(4,303)	(11,870)	(3,123)	(2,078)
Other income	9,401	2,604	5,221	655	512
Other (losses)/gains – net	<u>(3,683)</u>	<u>(1,821)</u>	<u>814</u>	<u>(15)</u>	<u>(698)</u>
<b>Operating profit</b>	<u>286,342</u>	<u>276,612</u>	<u>224,673</u>	<u>63,379</u>	<u>46,956</u>
Finance income	623	1,130	1,147	407	282
Finance costs	<u>(24,213)</u>	<u>(6,269)</u>	<u>(8,738)</u>	<u>(3,051)</u>	<u>(3,816)</u>
Finance costs – net	<u>(23,590)</u>	<u>(5,139)</u>	<u>(7,591)</u>	<u>(2,644)</u>	<u>(3,534)</u>
<b>Profit before income tax</b>	262,752	271,473	217,082	60,735	43,422
Income tax expense	<u>(66,935)</u>	<u>(52,379)</u>	<u>(37,633)</u>	<u>(10,511)</u>	<u>(7,347)</u>
<b>Profit for the year/period</b>	<u><u>195,817</u></u>	<u><u>219,094</u></u>	<u><u>179,449</u></u>	<u><u>50,224</u></u>	<u><u>36,075</u></u>



## FINANCIAL INFORMATION

### DESCRIPTION OF SELECTED COMPONENTS OF OUR CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

#### Revenue

During the Track Record Period, we generated our revenue from sale of ready-mixed concrete, polycarboxylic admixtures, aggregates and provision of quality and technology management services, of which the sale of ready-mixed concrete accounted for the most of our revenue. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our sales of ready-mixed concrete amounted to RMB2,374.6 million, RMB3,068.1 million, RMB3,294.3 million, and RMB914.4 million respectively, representing 98.8%, 98.6%, 98.1%, and 97.5% of the total revenue for the same period respectively. During the Track Record Period, all of our revenue was generated in the PRC.

The following table sets forth a breakdown of our revenue by product and service for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%	(RMB'000)	%
	<i>Unaudited</i>									
Ready-mixed concrete	2,374,563	98.8	3,068,086	98.6	3,294,261	98.1	1,053,681	98.5	914,410	97.5
Polycarboxylic admixtures	17,399	0.7	30,267	1.0	38,336	1.1	11,460	1.1	10,833	1.2
Aggregates	12,623	0.5	13,738	0.4	15,027	0.5	4,777	0.4	7,197	0.8
Quality and technology management services	-	-	-	-	9,493	0.3	-	-	5,547	0.5
<b>Total</b>	<b>2,404,585</b>	<b>100.0</b>	<b>3,112,091</b>	<b>100.0</b>	<b>3,357,117</b>	<b>100.0</b>	<b>1,069,918</b>	<b>100.0</b>	<b>937,987</b>	<b>100.0</b>

The following table sets forth the sales volume and average price (tax-exclusive) of our major product, namely ready-mixed concrete, for the periods indicated:

Product	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	Sales volume (m <sup>3</sup> '000)	Average price (RMB/m <sup>3</sup> )	Sales volume (m <sup>3</sup> '000)	Average price (RMB/m <sup>3</sup> )	Sales volume (m <sup>3</sup> '000)	Average price (RMB/m <sup>3</sup> )	Sales volume (m <sup>3</sup> '000)	Average price (RMB/m <sup>3</sup> )	Sales volume (m <sup>3</sup> '000)	Average price (RMB/m <sup>3</sup> )
Ready-mixed concrete	7,658	310.1	8,878	345.6	9,137	360.5	2,984	353.1	2,559	357.3

#### Cost of sales

Most of our revenue are generated from the sales of ready-mixed concrete, and thus our cost of sales consists principally of the cost of raw materials, direct labor costs and manufacturing costs (including, among others, cost for production management personnel, outsourcing service fees, depreciation, transportation costs) which primarily relates to the production and sales of ready-mixed concrete.

## FINANCIAL INFORMATION

The table sets forth a breakdown for major components of our cost of sales by nature for the periods indicated:

	Year ended December 31,						Four months ended April 30,			
	2016		2017		2018		2018		2019	
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
Direct materials	1,484,206	73.9	1,938,780	71.6	2,142,012	71.5	692,200	71.4	611,677	71.8
Manufacturing costs	406,749	20.2	636,762	23.5	703,999	23.5	227,891	23.5	195,818	23.0
Direct labor	76,657	3.8	89,262	3.3	103,184	3.4	33,785	3.5	32,734	3.8
Consumption of fuel and other materials	25,249	1.3	24,735	0.9	29,442	1.0	9,259	1.0	7,146	0.8
Taxes and surcharges	16,744	0.8	18,765	0.7	19,012	0.6	5,594	0.6	4,965	0.6
<b>Total</b>	<b>2,009,605</b>	<b>100.0</b>	<b>2,708,304</b>	<b>100.0</b>	<b>2,997,649</b>	<b>100.0</b>	<b>968,729</b>	<b>100.0</b>	<b>852,340</b>	<b>100.0</b>

### Gross profit and gross profit margin

Our gross profit is calculated on the total revenue less total cost of sales, and our gross profit margin is calculated on the gross profit for the period divided by the revenue during the corresponding period.

The table below sets forth a breakdown of our gross profit and gross profit margin by product and service for the periods indicated:

	Year ended December 31,									Four months ended April 30,					
	2016			2017			2018			2018			2019		
	Gross profit	margin	%	Gross profit	margin	%	Gross profit	margin	%	Gross profit	margin	%	Gross profit	margin	%
	<i>(RMB'000)</i>	%	%	<i>(RMB'000)</i>	%	%	<i>(RMB'000)</i>	%	%	<i>(RMB'000)</i>	%	%	<i>(RMB'000)</i>	%	%
Ready-mixed concrete	390,227	98.8	16.4	397,802	98.5	13.0	345,577	96.1	10.5	99,369	98.2	9.4	78,589	91.8	8.6
Polycarboxylic admixtures	4,186	1.1	24.1	4,662	1.2	15.4	4,562	1.3	11.9	765	0.8	6.7	2,259	2.6	20.9
Aggregates	567	0.1	4.5	1,323	0.3	9.6	3,206	0.9	21.3	1,055	1.0	22.1	1,096	1.3	15.2
Quality and technology management services	-	-	-	-	-	-	6,123	1.7	64.5	-	-	-	3,703	4.3	66.8
<b>Total</b>	<b>394,980</b>	<b>100.0</b>	<b>16.4</b>	<b>403,787</b>	<b>100.0</b>	<b>13.0</b>	<b>359,468</b>	<b>100.0</b>	<b>10.7</b>	<b>101,189</b>	<b>100.0</b>	<b>9.5</b>	<b>85,647</b>	<b>100.0</b>	<b>9.1</b>

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## FINANCIAL INFORMATION

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Our overall gross profit and gross profit margin during the Track Record Period were affected significantly by the sales of ready-mixed concrete, from which we generated approximately 98.8%, 98.5%, 96.1%, and 91.8% of our total gross profit for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively. Our overall gross profit margin decreased during the Track Record Period, primarily due to the decrease in the gross profit margin of our sales of ready-mixed concrete. The decrease in the gross profit margin of our sales of ready-mixed concrete was primarily due to the increase in raw materials costs as a result of increase in raw material prices whereas we did not timely adjust our sales price pursuant to our sales contracts as substantial amount of products were produced by our project batching plants serving the large scale infrastructure construction projects, for which it may take more than a year to conclude our negotiation with the customers to adjust the sales prices after the price adjustment mechanism is triggered pursuant to our sales contracts. The decrease in the gross profit margin of our sales of polycarboxylic admixtures for the years ended December 31, 2016, 2017 and 2018 was primarily due to the increases in prices of raw materials such as macromonomer and the gross profit margin of our sales of polycarboxylic admixtures increased for the four months ended April 30, 2019, which was primarily due to the decrease of the raw material prices such as macromonomer.

### **Other income**

Other income consists of government grants, rental income and labor service income.

During the Track Record Period, we obtained government grants from local governments of the PRC, which primarily include enterprise supportive funds and government subsidies for technology research and development. Despite the fact that we received government grants during each year of the Track Record Period, the grants are not provided on a regular basis but on a case by case basis in accordance with applicable laws and regulations.

During the Track Record Period, our rental income primarily includes the income generated by leasing some of our production facilities to third parties and we generated our labor service income from providing construction labor service by 14th Metallurgical New Material Company.

## FINANCIAL INFORMATION

The table below sets forth the major components of our other income for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
Government grants	6,783	489	3,205	100	312
Rental income	–	104	1,329	312	200
Labor service income	2,618	2,011	687	243	–
<b>Total</b>	<b>9,401</b>	<b>2,604</b>	<b>5,221</b>	<b>655</b>	<b>512</b>

### Other (losses)/gains – net

Our other (losses)/gains – net consists of gains or losses from the disposal of property and equipment and others.

The table below sets forth a breakdown of the components of our other (losses)/gains – net for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
(Losses)/gains on disposal of property, plant and equipment	(157)	(609)	550	57	670
Others <sup>(1)</sup>	(3,526)	(1,212)	264	(72)	(1,368)
<b>Total</b>	<b>(3,683)</b>	<b>(1,821)</b>	<b>814</b>	<b>(15)</b>	<b>(698)</b>

*Note:*

- (1) Mainly consisting of our payments for fines to road administration departments and fine to relevant government authorities since we commenced our construction of one concrete production base (including buildings and certain production facilities) without obtaining a planning permit for construction and a construction permit, the compensation for traffic accident that is not covered by the insurance, charity donations, and our collection of payments for disposal of waste materials.

## FINANCIAL INFORMATION

### Selling expenses

Our selling expenses primarily consist of remuneration for sales staff, provision for estimated product quality assurance losses, travel expenses, marketing and promotion fees. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our selling expenses amounted to RMB8.0 million, RMB15.4 million, RMB14.4 million, and RMB3.6 million, respectively, representing 0.3%, 0.5%, 0.4%, and 0.4% of our total revenue for the same period, respectively.

The table below sets forth a breakdown of our selling expenses for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
Staff remuneration	6,427	12,385	13,681	4,280	3,407
Estimated product quality assurance losses	–	2,189	–	–	–
Travel expenses	700	520	505	109	117
Marketing and promotion fees	360	–	–	–	–
Others <sup>(1)</sup>	488	274	221	111	56
<b>Total</b>	<b><u>7,975</u></b>	<b><u>15,368</u></b>	<b><u>14,407</u></b>	<b><u>4,500</u></b>	<b><u>3,580</u></b>

*Note:*

(1) Mainly including business expenses and service expenses related to selling activities.

### Administrative expenses

Our administrative expenses primarily consist of remuneration for administrative staff, amortization and depreciation, and travel and office expenses. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our administrative expenses were RMB90.0 million, RMB108.3 million, RMB114.6 million, and RMB32.8 million, respectively, representing 3.7%, 3.5%, 3.4%, and 3.5% of our total revenue for the same period, respectively.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of our administrative expenses for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
Staff remuneration	61,570	66,290	78,589	21,928	21,763
Amortization and depreciation	8,974	7,192	10,969	3,697	3,508
Travel and office expenses	5,196	7,276	6,826	1,591	2,012
Expenses for hiring intermediary agencies and consulting fees	2,724	5,514	4,213	519	1,635
Comprehensive service fee	113	3,077	–	–	–
Decoration costs	504	1,656	–	–	–
Others <sup>(1)</sup>	10,944	17,282	13,956	3,092	3,929
<b>Total</b>	<b><u>90,025</u></b>	<b><u>108,287</u></b>	<b><u>114,553</u></b>	<b><u>30,827</u></b>	<b><u>32,847</u></b>

*Note:*

- (1) Mainly consisting of utilities, property management fees and security and cleaning fees related to administrative affairs.

### Net impairment losses on financial assets

Our net impairment losses on financial assets consist of impairment losses on our trade and other receivables. Our trade receivables are the sum of receivables from customers for the sales of products and provision of services during the ordinary course of our business, while other receivables primarily consist of the bid bond required for participating the bidding of concrete supply in construction projects, and the performance bond paid to our customers when entering into some of the contracts. Please refer to Note 2.10.3 of “Appendix I – Accountant’s Report” for the impairment policy of trade and other receivables.

## FINANCIAL INFORMATION

The table below sets forth the breakdown of our net impairment losses on financial assets for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>Unaudited</i>	<i>(RMB'000)</i>
Net impairment losses on trade receivables	16,109	3,551	11,287	2,788	1,248
Net impairment losses on other receivables	247	752	583	335	830
<b>Total</b>	<b>16,356</b>	<b>4,303</b>	<b>11,870</b>	<b>3,123</b>	<b>2,078</b>

### Finance costs – net

Our finance income consists of interest incomes from bank deposits and deposits with YCIH Financial Company, while our finance costs principally consist of interest expenses from secured borrowings, guaranteed borrowings and lease liabilities. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our finance income amounted to RMB0.6 million, RMB1.1 million, RMB1.1 million, and RMB0.3 million respectively, and our finance costs amounted to RMB24.2 million, RMB6.3 million, RMB8.7 million, and RMB3.8 million respectively.

The table below sets forth the breakdown of our finance income and finance costs for the periods indicated:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i> <i>Unaudited</i>	<i>(RMB'000)</i>
Interest income:					
– Bank deposits	377	398	359	155	75
– Deposits within a financial institution	246	732	788	252	207
<b>Total finance income</b>	<b>623</b>	<b>1,130</b>	<b>1,147</b>	<b>407</b>	<b>282</b>
Interest expenses:					
– Secured borrowings	(2,065)	(220)	–	–	–
– Guaranteed borrowings	(1,232)	(1,150)	(4,502)	(1,555)	(1,158)
– Unsecured bank borrowings	–	–	–	–	(591)
– Loans from YNJG	(16,477)	–	–	–	–
– Lease liabilities	(2,677)	(3,822)	(3,619)	(1,413)	(726)
– Others <sup>(1)</sup>	(1,762)	(1,077)	(617)	(83)	(1,341)
<b>Total finance costs</b>	<b>(24,213)</b>	<b>(6,269)</b>	<b>(8,738)</b>	<b>(3,051)</b>	<b>(3,816)</b>
<b>Finance costs – net</b>	<b>(23,590)</b>	<b>(5,139)</b>	<b>(7,591)</b>	<b>(2,644)</b>	<b>(3,534)</b>

Note:

(1) Other finance costs principally consist of land reclamation fees and bill discount fees.

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## FINANCIAL INFORMATION

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### Income tax expense

Our income tax expense consists principally of corporate income tax and deferred income tax. For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our income tax were RMB66.9 million, RMB52.4 million, RMB37.6 million, and RMB7.3 million, respectively, and our effective tax rates for the same period (calculated on income tax divided by profit before income tax) were 25.5%, 19.3%, 17.3%, and 16.9%, respectively. During the Track Record Period and up to the Latest Practicable Date, we have performed all our tax obligations and did not have any unresolved tax disputes.

### RESULTS OF OPERATION

#### Four Months Ended April 30, 2019 Compared to Four Months Ended April 30, 2018

##### Revenue

Our total revenue decreased by 12.3% to RMB938.0 million for the four months ended April 30, 2019 from RMB1,069.9 million for the four months ended April 30, 2018, primarily due to the decrease in the revenue generated from the sales of ready-mixed concrete.

	Four months ended April 30,			
	2018		2019	
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
	<i>Unaudited</i>			
<b>Revenue:</b>				
Ready-mixed concrete	1,053,681	98.5	914,410	97.5
Polycarboxylic admixtures	11,460	1.1	10,833	1.2
Aggregates	4,777	0.4	7,197	0.8
Quality and technology management service	–	–	5,547	0.5
<b>Total</b>	<b>1,069,918</b>	<b>100.0</b>	<b>937,987</b>	<b>100.0</b>

For the four months ended April 30, 2019, revenue from the sales of ready-mixed concrete decreased by 13.2% to RMB914.4 million from RMB1,053.7 million for the four months ended April 30, 2018, primarily due to the decrease in the sales volume of ready-mixed concrete which was attributable to the fact that a number of large scale infrastructure construction projects undertaken by our customers were close to completion while the new highway projects had not yet reached the phase demanding high volume of concrete supply.



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## FINANCIAL INFORMATION

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### *Cost of sales*

Our cost of sales decreased by 12.0% to RMB852.3 million for the four months ended April 30, 2019 from RMB968.7 million for the four months ended April 30, 2018, primarily due to the decrease in our sales volume of ready-mixed concrete.

### *Gross profit and gross profit margin*

Our overall gross profit decreased by 15.4% to RMB85.6 million for the four months ended April 30, 2019 from RMB101.2 million for the four months ended April 30, 2018. Our gross profit margin decreased to 9.1% for the four months ended April 30, 2019 from 9.5% for the four months ended April 30, 2018. The decrease of our gross profit was primarily attributable to the decreased revenue as a result of decreased sales volume of ready-mixed concrete while our cost of sales did not decrease at the same rate due to the incurrence of our fixed costs during our business operation.

### *Other income*

Our other income decreased from RMB0.7 million for the four months ended April 30, 2018 to RMB0.5 million for the four months ended April 30, 2019. The decrease was primarily because we did not have the labor service income during the four months ended April 30, 2019 as 14th Metallurgical New Material Company ceased to provide labor service to one customer in November 2018 as we understood from the customer that such labor service was no longer needed due to the completion of its project.

### *Other (losses)/gains – net*

For the four months ended April 30, 2019, we recorded other losses – net of RMB0.7 million, representing a significant increase from RMB15,000 for the four months ended April 30, 2018. The increase was primarily due to the loss for the fine of RMB1.6 million paid to the relevant government authorities, which was partially offset by gains from the collection of a default payment for the breach of contract and gains from disposal of property, plant and equipment (including but not limited to one scrap aggregates production line which was fully depreciated and no longer had any use value, some batching plant facilities and scrap cars). The fine of RMB1.6 million was imposed on us by the relevant government authorities since we commenced our construction of one concrete production base (including buildings and certain production facilities) without obtaining a planning permit for construction and a construction permit, and please refer to the section headed “Business – Property” for more details.

### *Selling expenses*

Our selling expenses slightly decreased to RMB3.6 million for the four months ended April 30, 2019 from RMB4.5 million for the four months ended April 30, 2018, primarily due to the decrease in the performance bonus paid to our sales and marketing staff as the relatively lower sales volume for the four months ended April 30, 2019.

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## FINANCIAL INFORMATION

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### *Administrative expenses*

Our administrative expenses increased by 6.6% to RMB32.8 million for the four months ended April 30, 2019 from RMB30.8 million for the four months ended April 30, 2018, primarily due to the increased expenses in intermediary agencies and consulting fees for hiring environmental consultant, legal consultant and others.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets slightly decreased to RMB2.1 million for the four months ended April 30, 2019 from RMB3.1 million for the four months ended April 30, 2018, primarily due to the decrease in net impairment losses on trade receivables resulting from better collection of long-aging trade receivables.

### *Finance costs – net*

Our finance costs – net slightly increased to RMB3.5 million for the four months ended April 30, 2019 from RMB2.6 million for the four months ended April 30, 2018, primarily due to the increase in finance costs. Finance costs increased to RMB3.8 million for the four months ended April 30, 2019 from RMB3.1 million for the four months ended April 30, 2018, primarily due to the increase in the bill discount fees incurred. Finance income decreased to RMB0.3 million for the four months ended April 30, 2019 from RMB0.4 million for the four months ended April 30, 2018, primarily due to the decrease in the interest income resulting from the decrease in the balance of bank deposits and deposits with YCIH Financial Company.

### *Profit before income tax*

As a result of the above, our profit before income tax decreased by 28.5% to RMB43.4 million for the four months ended April 30, 2019 from RMB60.7 million for the four months ended April 30, 2018.

### *Income tax expense*

Our income tax expense decreased by 30.1% to RMB7.3 million for the four months ended April 30, 2019 from RMB10.5 million for the four months ended April 30, 2018. Our effective tax rates were 17.3% and 16.9% respectively for the four months ended April 30, 2018 and 2019. The decrease in our effective tax rate was primarily due to the payment of listing expenses which were capitalized but deductible before tax, whereas there was no similar expenses for the four months ended April 30, 2018.

### *Profit for the period*

Our profit for the period decreased by 28.2% to RMB36.1 million for the four months ended April 30, 2019 from RMB50.2 million for the four months ended April 30, 2018, which was primarily due to the decrease in our revenue.

## FINANCIAL INFORMATION

### Year Ended December 31, 2018 Compared to Year Ended December 31, 2017

#### *Revenue*

Our total revenue increased by 7.9% to RMB3,357.1 million for the year ended December 31, 2018 from RMB3,112.1 million for the year ended December 31, 2017, primarily due to the increase in revenue generated from the sales of ready-mixed concrete.

	Year ended December 31,			
	2017		2018	
	<i>(RMB'000)</i>	%	<i>(RMB'000)</i>	%
<b>Revenue:</b>				
Ready-mixed concrete	3,068,086	98.6	3,294,261	98.1
Polycarboxylic admixtures	30,267	1.0	38,336	1.1
Aggregates	13,738	0.4	15,027	0.5
Quality and technology management services	–	–	9,493	0.3
	–	–	9,493	0.3
<b>Total</b>	<b>3,112,091</b>	<b>100.0</b>	<b>3,357,117</b>	<b>100.0</b>

For the year ended December 31, 2018, the revenue from the sales of ready-mixed concrete increased by 7.4% to RMB3,294.3 million from RMB3,068.1 million for the year ended December 31, 2017, primarily due to (i) the increase in sales volume of ready-mixed concrete which was attributable to a number of large scale infrastructure construction projects undertaken by our customers as a result of the increase in the fixed asset investment in Yunnan Province; as well as (ii) the increase in the average price of our products as a result of the increase in price of raw materials (mainly cement).

In addition, for the year ended December 31, 2018, we commenced to provide quality and technology management services for concrete producers, and generated a revenue of RMB9.5 million.

#### *Cost of sales*

Our cost of sales increased by 10.7% to RMB2,997.6 million for the year ended December 31, 2018 from RMB2,708.3 million for the year ended December 31, 2017. Such increase was primarily due to: (i) the increase in the manufacturing costs as we adopted more leased batching plant equipment in our production for some of the new highway projects we undertook, and the increase in transportation fees as a result of the expansion of our business; (ii) the increase in cost of direct materials as a result of increase in price of raw materials (mainly cement and aggregates); and (iii) the increase in direct labor costs caused by the increase in the number of employees as a result of our business expansion. The average price of the cement we used increased from RMB362.3 per tonne in 2017 to RMB387.1 per tonne in 2018 and the average price of the aggregates we used increased from RMB44.5 per tonne in 2017 to RMB46.7 per tonne in 2018.

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## FINANCIAL INFORMATION

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### *Gross profit and gross profit margin*

Our overall gross profit decreased by 11.0% to RMB359.5 million for the year ended December 31, 2018 from RMB403.8 million for the year ended December 31, 2017, while our gross profit margin decreased to 10.7% for the year ended December 31, 2018 from 13.0% for the year ended December 31, 2017. The decreases in both our overall gross profit and gross profit margin were primarily due to the increase in raw materials costs as a result of increase in raw material prices whereas we did not timely adjust our sales price pursuant to our sales contracts as substantial amount of products were produced by our project batching plants serving the large scale infrastructure construction projects, for which it may take more than a year to conclude our negotiation with the customers to adjust the sales prices after the price adjustment mechanism is triggered pursuant to our sales contracts. The relatively long period of negotiation on the price adjustments for large scale infrastructure construction projects was primarily because (i) the price adjustment negotiation for such projects was initiated by parties when the large scale infrastructure construction project was close enough to completion, considering the continuous fluctuations of the raw material prices throughout the project, and we believe that it would be efficient for both parties to negotiate the price adjustments when the details of raw material price fluctuations during a majority of the construction period were known to all parties; and (ii) such large scale infrastructure construction projects have a long period of project schedule of more than two years.

### *Other income*

Other income increased to RMB5.2 million for the year ended December 31, 2018 from RMB2.6 million for the year ended December 31, 2017. Such increase was primarily due to: (i) the increase in government grants we received in 2018, including among other things, government subsidies for research and development investment, enterprise supportive funds for sales and production expansion and enterprise development, awards for technology development and safety production, which were not provided on a regular basis but on a case by case basis and we cannot assure that we may obtain the similar government grants in the future; and (ii) the significant increase in the income from property and equipment leasing. Such increase was partially offset by the decrease in the labor service income due to the fact that 14th Metallurgical New Material Company ceased to provide labor service to one customer in November 2018 as we understood from the customer that such labor service was no longer needed due to the completion of its project.

### *Other (losses)/gains – net*

We recorded other net gains of RMB0.8 million for the year ended December 31, 2018, while for the year ended December 31, 2017 we recorded other net losses of RMB1.8 million, primarily due to the gains from our disposal of waste materials in 2018, including one scrap aggregates production line which was fully depreciated and no longer had any use value.

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## FINANCIAL INFORMATION

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### *Selling expenses*

Our selling expenses decreased by 6.3% to RMB14.4 million for the year ended December 31, 2018 from RMB15.4 million for the year ended December 31, 2017, primarily because we provided for estimated loss for product quality of RMB2.2 million in 2017 due to a dispute with the customer over product quality after the delivery of the product, while no similar provision was made in 2018.

### *Administrative expenses*

Our administrative expenses increased by 5.8% to RMB114.6 million for the year ended December 31, 2018 from RMB108.3 million for the year ended December 31, 2017, primarily due to the increase in staff remuneration as a result of our business expansion, as well as the increase in amortization and depreciation expenses in 2018 as a result of our establishment of branches and purchase of equipment in 2017, and partially offset by the decrease in other expenses.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets increased from RMB4.3 million for the year ended December 31, 2017 to RMB11.9 million for the year ended December 31, 2018, primarily due to (i) the increase in long-aging trade receivables, and (ii) the increase in trade receivables from customers other than YCIH Group for whom we provided for a higher percentage of trade receivables than for YCIH Group; and partially offset by the decrease in net impairment loss of other receivables as a result of collection of other receivables.

### *Finance costs – net*

Our finance costs – net increased to RMB7.6 million for the year ended December 31, 2018 from RMB5.1 million for the year ended December 31, 2017, primarily due to the increase in finance costs. Finance costs increased by 39.4% to RMB8.7 million for the year ended December 31, 2018 from RMB6.3 million for the year ended December 31, 2017, primarily due to increased interest expenses for guaranteed borrowings as a result of the fact that we increased the guaranteed borrowings in the second half of 2017 and in 2018 which had an increased interest rate in 2018 compared with 2017.

### *Profit before income tax*

As a result of the above, our profit before income tax decreased by 20.0% to RMB217.1 million for the year ended December 31, 2018 from RMB271.5 million for the year ended December 31, 2017.

## FINANCIAL INFORMATION

### *Income tax expense*

Our income tax expense decreased by 28.2% to RMB37.6 million for the year ended December 31, 2018 from RMB52.4 million for the year ended December 31, 2017. Our effective tax rates were 19.3% and 17.3% respectively for the years ended December 31, 2017 and 2018. Deferred income tax is determined using tax rates that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realized or the deferred income tax liability is settled. As such, we calculated our deferred income tax asset at the enterprise income tax rate of 25% for 2016. On November 1, 2017, the Company was certified as a High-tech Enterprise (valid for three years commencing from 2017 and is renewable upon fulfillment of certain qualification requirements) by the government authorities, and enjoyed a preferential enterprise income tax rate of 15% since January 1, 2017. As such, we calculated and revaluated our deferred income tax asset at the preferential enterprise income tax rate of 15% for 2017 and tax losses were incurred in our consolidated statements for 2017. Such decrease of the income tax expenses was primarily due to the loss resulting from the revaluation of deferred income tax asset in 2017, while no such loss was incurred in 2018.

### *Profit for the year*

As a result of the above, our profit for the year decreased by 18.1% to RMB179.4 million for the year ended December 31, 2018 from RMB219.1 million for the year ended December 31, 2017.

### **Year Ended December 31, 2017 Compared to Year Ended December 31, 2016**

#### *Revenue*

Our total revenue increased by 29.4% to RMB3,112.1 million for the year ended December 31, 2017 from RMB2,404.6 million for the year ended December 31, 2016, primarily due to the increase in our revenue generated from the sales of ready-mixed concrete.

	Year ended December 31,			
	2016		2017	
	(RMB'000)	%	(RMB'000)	%
<b>Revenue:</b>				
Ready-mixed concrete	2,374,563	98.8	3,068,086	98.6
Polycarboxylic admixtures	17,399	0.7	30,267	1.0
Aggregates	12,623	0.5	13,738	0.4
<b>Total</b>	<b>2,404,585</b>	<b>100.0</b>	<b>3,112,091</b>	<b>100.0</b>

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For the year ended December 31, 2017, revenue from the sales of ready-mixed concrete increased by 29.2% to RMB3,068.1 million from RMB2,374.6 million for the year ended December 31, 2016, primarily due to the increase in sales volume of concrete as a result of large demand from construction projects of YCIH as the projects progress, as well as the increase in average price of our products driven by the increased price of raw materials (mainly cement).

### *Cost of sales*

Our cost of sales increased by 34.8% to RMB2,708.3 million for the year ended December 31, 2017 from RMB2,009.6 million for the year ended December 31, 2016, primarily due to the increase in cost of direct materials as a result of increase in price of raw materials (mainly cement and aggregates), and the increase in transportation expenses as a result of our business expansion. The average price of the cement we used increased from RMB301.1 per tonne in 2016 to RMB362.3 per tonne in 2017 and the average price of the aggregates we used increased from RMB38.3 per tonne in 2016 to RMB44.5 per tonne in 2017.

### *Gross profit and gross profit margin*

Our overall gross profit slightly increased to RMB403.8 million for the year ended December 31, 2017 from RMB395.0 million for the year ended December 31, 2016, staying relatively stable. Our gross profit margin decreased to 13.0% for the year ended December 31, 2017 from 16.4% for the year ended December 31, 2016. The decrease in our gross profit margin were primarily due to the increase in raw material costs as a result of the increase in raw material prices starting from the late 2017 whereas we did not timely adjust our sales price pursuant to our sales contracts as substantial amount of products were produced by our project batching plants serving the large scale infrastructure construction projects, for which it may take more than a year to conclude our negotiation with the customers to adjust the sales prices after the price adjustment mechanism is triggered pursuant to our sales contracts. The relatively long period of negotiation on the price adjustments for large scale infrastructure construction projects was primarily because (i) the price adjustment negotiation for such projects was initiated by parties when the large scale infrastructure construction project was close enough to completion, considering the continuous fluctuations of the raw material prices throughout the project, and we believe that it would be efficient for both parties to negotiate the price adjustments when the details of raw material price fluctuations during a majority of the construction period were known to all parties; and (ii) such large scale infrastructure construction projects have a long period of project schedule of more than two years.

### *Other income*

Our other income decreased by 72.3% to RMB2.6 million for the year ended December 31, 2017 from RMB9.4 million for the year ended December 31, 2016, primarily due to (i) the significant decrease in supportive subsidies for science and technology projects we received from the governments resulting from the changes in policy orientation in Yunnan Province; and (ii) the decrease in other government subsidies.

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### *Other (losses)/gains – net*

Our other (losses)/gains – net decreased by 50.6% to RMB1.8 million for the year ended December 31, 2017 from RMB3.7 million for the year ended December 31, 2016, primarily due to the decrease in the total amount of other losses in 2017 as in 2016 we recorded more other losses (mainly including (i) our payments for fines to road administration departments and (ii) the compensation fee in an amount of RMB141,200 incurred due to a traffic accident took place in 2015 which was outside the insurance coverage), and partially offset by the increase in the loss on scrapping a road outside batching plant in 2017 which was severely damaged and replaced by a newly-constructed road.

### *Selling expenses*

Our selling expenses increased by 92.7% to RMB15.4 million for the year ended December 31, 2017 from RMB8.0 million for the year ended December 31, 2016, primarily due to the significant increase in the remuneration of our sales and marketing staff and we made an provision of RMB2.2 million in 2017 for an estimated loss in connection with a dispute with the customer over product quality after the delivery of the product, whereas no similar provision was made in 2016. The remuneration system of our sales and marketing staff is closely linked to, among other indicators, our production volume and their performance in collecting account receivables, and we achieved increased production volume and better financial performance in 2017 as compared with 2016, which resulted in a significant increase in the remuneration of our sales and marketing staff.

### *Administrative expenses*

Our administrative expenses increased by 20.3% to RMB108.3 million for the year ended December 31, 2017 from RMB90.0 million for the year ended December 31, 2016, primarily due to (i) the increase in staff remuneration, office and travel expenses and comprehensive service fees resulting from our business expansion; and (ii) the increase in expenses for hiring intermediary agencies and consulting fees.

### *Net impairment losses on financial assets*

Our net impairment losses on financial assets decreased by 73.7% to RMB4.3 million for the year ended December 31, 2017 from RMB16.4 million for the year ended December 31, 2016, primarily due to the decrease in net impairment losses on trade receivables as a result of collection of long-aging trade receivables, partially offset by the increase in net impairment losses on other receivables as we provided for a higher percentage for other receivables due to their aging growth.



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### *Finance costs – net*

Our finance costs – net decreased by 78.2% to RMB5.1 million for the year ended December 31, 2017 from RMB23.6 million for the year ended December 31, 2016. Such decrease was primarily due to the increase in finance income and decrease in finance costs. Finance income increased by 81.4% to RMB1.1 million for the year ended December 31, 2017 from RMB0.6 million for the year ended December 31, 2016, primarily due to the increases in interest income from deposits with a financing institution. Finance costs decreased by 74.1% to RMB6.3 million for the year ended December 31, 2017 from RMB24.2 million for the year ended December 31, 2016, primarily due to: (i) the significant decrease in interest expenses of secured borrowings resulting from our repayment of the commercial bank loan secured by our land use right in February 2017; (ii) the significant decrease in loan interest expenses resulting from our settlement of borrowings with YNJG in 2016; and (iii) the significant decrease in bill discount expenses resulting from decrease in bill discounting. Our borrowings from YNJG were primarily carried at an interest rate ranging from 6.5% to 9.35% per annum, with the borrowing period ranging from six months to two years. The principals of such borrowings were repaid once for all prior to their maturity and the interests were calculated on quarterly basis and shall be paid before the twenty-first day of the last month of each quarter. All of our borrowings with YNJG had been settled before December 31, 2016.

### *Profit before income tax*

As a result of the above, our profit before income tax increased by 3.3% to RMB271.5 million for the year ended December 31, 2017 from RMB262.8 million for the year ended December 31, 2016.

### *Income tax expense*

Our income tax expense decreased by 21.7% to RMB52.4 million for the year ended December 31, 2017 from RMB66.9 million for the year ended December 31, 2016. Our effective tax rates were 25.5% and 19.3% respectively for the years ended December 31, 2016 and 2017. The decrease in our effective tax rate was primarily due to the fact that our Company has been entitled to a preferential income tax rate of 15% for High-tech Enterprises since 2017.

### *Profit for the year*

As a result of above, our profit for the year increased by 11.9% to RMB219.1 million for the year ended December 31, 2017 from RMB195.8 million for the year ended December 31, 2016.

## LIQUIDITY AND CAPITAL RESOURCES

We have historically met our liquidity requirements through cash flow generated from operation and financing. Our primary liquidity requirements are to finance working capital, fund the payment of interest and principal due on our indebtedness, fund capital expenditures

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as well as to finance the growth and expansion of our facilities and operations. Going forward, we expect these requirements will continue to be our primary liquidity requirements, and we may use a portion of the proceeds from the Global Offering to finance part of the capital requirements.

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), our banking facilities amounted to approximately RMB230.0 million, of which approximately RMB122.4 million remained unutilized, and our cash and cash equivalents amounted to RMB189.6 million.

### Cash flows

The table below sets forth the summary of our cash flows for the periods indicated:

	<u>Year ended December 31,</u>			<u>Four months ended</u>	
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>April 30,</u>	<u>2019</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
				<i>Unaudited</i>	
Net cash generated from/(used in) operating activities	246,300	27,130	96,525	(71,041)	73,300
Net cash used in investing activities	(45,243)	(34,296)	(44,247)	(7,437)	(12,424)
Net cash generated from/(used in) financing activities	<u>66,521</u>	<u>38,652</u>	<u>(144,053)</u>	<u>(38,545)</u>	<u>1,996</u>
<b>Net increase/ (decrease) in cash and cash equivalents</b>	<b>267,578</b>	<b>31,486</b>	<b>(91,775)</b>	<b>(117,023)</b>	<b>62,872</b>
Cash and cash equivalents at the beginning of the year/period	<u>32,737</u>	<u>300,315</u>	<u>331,801</u>	<u>331,801</u>	<u>240,026</u>
<b>Cash and cash equivalents at the end of the year/period</b>	<b><u>300,315</u></b>	<b><u>331,801</u></b>	<b><u>240,026</u></b>	<b><u>214,778</u></b>	<b><u>302,898</u></b>

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### *Net cash generated from operating activities*

Net cash generated from operating activities mainly consists of profit before income tax adjusted for non-cash items, such as depreciation of property, plant and equipment, depreciation of investment property, amortization of intangible assets, amortization of land use rights, finance costs and losses (gains) from the disposal of property, plant and equipment, and the effects of changes in working capital, such as the increase or decrease in restricted cash, trade and other receivables, inventories and trade and other payables, and the effects of interest paid, interest received and income tax paid.

For the four months ended April 30, 2019, we recorded net cash generated from operating activities of RMB73.3 million and profit before income tax of RMB43.4 million. Adjustments primarily included depreciation of property, plant and equipment RMB35.6 million and finance costs of RMB3.5 million, resulting in the operating cash inflow before the changes in working capital of RMB82.1 million. Changes in working capital primarily comprised (i) a decrease in trade and other receivables of RMB25.3 million primarily due to the settlement of trade and other receivables; (ii) an decrease in trade and other payables of RMB8.5 million, primarily due to the decrease in the accrued taxes other than income tax resulting from the decreased revenue; and (iii) an increase in our inventory of RMB4.4 million primarily due to the increased stock of raw materials to mitigate the impact on potential increase in raw materials prices and prepare for the increasing demand for raw materials in the coming months.

For the year ended December 31, 2018, we recorded net cash generated from operating activities of RMB96.5 million and profit before income tax of RMB217.1 million. Adjustments primarily included depreciation of property, plant and equipment of RMB114.7 million and finance costs of RMB7.6 million, resulting in the operating cash inflow before the changes in working capital of RMB339.6 million. Changes in working capital primarily comprised (i) an increase in trade and other receivables of RMB481.5 million primarily due to the increase in sales volume of ready-mixed concrete; and (ii) an increase in trade and other payables of RMB297.4 million, primarily due to our business expansion.

For the year ended December 31, 2017, we recorded net cash generated from operating activities of RMB27.1 million and profit before income tax of RMB271.5 million. Adjustments primarily included depreciation of property, plant and equipment of RMB95.0 million and finance costs of RMB5.1 million, resulting in the operating cash inflow before the changes in working capital of RMB372.9 million. Changes in working capital primarily comprised (i) an increase in trade and other receivables of RMB558.3 million, primarily due to the increase in sales volume of ready-mixed concrete; and (ii) an increase in trade and other payables of RMB305.5 million, primarily due to our business expansion.

For the year ended December 31, 2016, we recorded net cash generated from operating activities of RMB246.3 million and profit before income tax of RMB262.8 million. Adjustments primarily included depreciation of property, plant and equipment of RMB88.6 million and finance costs of RMB23.6 million, resulting in the operating cash inflow before the changes in working capital of RMB375.9 million. Changes in working capital primarily

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comprised (i) an increase in trade and other receivables of RMB535.9 million, primarily due to the increase in sales volume of ready-mixed concrete; and (ii) an increase in trade and other payables of RMB477.8 million, primarily due to our business expansion.

### *Net cash used in investing activities*

Our cash outflow from investing activities primarily consists of payment for the purchase of property, plant and equipment. Our cash inflow from investing activities primarily consists of the proceeds from disposal of property and equipment and the withdrawal of deposits and collection of interests of deposits with YCIH Financial Company.

For the four months ended April 30, 2019, we recorded net cash outflow from investing activities of RMB12.4 million, primarily due to the payment for the purchases of property, plant and equipment, and partially offset by the proceeds from disposal of property, plant and equipment.

For the year ended December 31, 2018, we recorded net cash outflow from investing activities of RMB44.2 million, primarily due to the payment for the purchases of property, plant and equipment.

For the year ended December 31, 2017, we recorded net cash outflow from investing activities of RMB34.3 million, primarily due to the payment for the purchases of property, plant and equipment, and partially offset by the proceeds from disposal of property, plant and equipment.

For the year ended December 31, 2016, we recorded net cash outflow from investing activities of RMB45.2 million, primarily due to the payment for the purchases of property, plant and equipment, and partially offset by the withdrawal of deposits and the collection of interests thereof from YCIH Financial Company.

### *Net cash generated from/(used in) financing activities*

Our cash inflow generated from financing activities primarily consists of capital contribution from shareholders and bank borrowings. Our cash used in financing activities primarily consists of repayment of bank loans, payment of the lease liabilities and payment of dividends.

For the four months ended April 30, 2019, we recorded net cash inflow from financing activities of RMB2.0 million, primarily due to the receipt of the proceeds from our bank borrowings of RMB122.8 million, and partially offset by (i) the repayment of bank loans of RMB80.0 million; (ii) the payment of listing fees of RMB8.8 million; (iii) the payment of the principal and interest of lease obligations of RMB12.0 million; and (iv) the payment of dividend of RMB20.0 million.

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For the year ended December 31, 2018, we recorded net cash used in financing activities of RMB144.1 million, primarily due to (i) the repayment of bank loans of RMB80.0 million; (ii) the payment of listing fees of RMB8.4 million; (iii) the payment of the principal and interest of lease obligations of RMB42.5 million; (iv) the payment of dividend of RMB24.2 million; and (v) the payment of RMB70.6 million for the acquisition of entities under control from YCIH Group; and partially offset by the increase in proceeds from our bank borrowings of RMB81.5 million in 2018.

For the year ended December 31, 2017, we recorded net cash inflow from financing activities of RMB38.7 million, primarily due to (i) the capital contribution from shareholders of RMB3.4 million; and (ii) the increase in proceeds from our bank borrowings of RMB111.2 million; and partially offset by (i) the repayment of bank loans of RMB44.0 million; and (ii) the payment of the principal and interest of lease liabilities of RMB31.0 million.

For the year ended December 31, 2016, we recorded net cash inflow from financing activities of RMB66.5 million, primarily due to (i) capital contribution from shareholders of RMB94.4 million; and (ii) the increase in proceeds from our bank borrowings of RMB102.4 million; and partially offset by (i) the repayment of bank loans of RMB83.2 million; (ii) the payment of dividends of RMB40.5 million; and (iii) the payment of the principal and interest of lease liabilities of RMB18.2 million.

### CAPITAL EXPENDITURES

In the past, we incurred capital expenditures primarily for purchase of property, plant and equipment as well as purchase of intangible assets (such as software) and investment property. Our capital expenditures were RMB66.4 million, RMB56.7 million, RMB57.4 million and RMB4.9 million for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, respectively.

The following table sets forth the components of our capital expenditure for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Property, plant and equipment	66,351	56,477	57,363	4,798
Intangible assets	–	48	–	82
Investment property	–	217	–	–
<b>Total</b>	<b>66,351</b>	<b>56,742</b>	<b>57,363</b>	<b>4,880</b>

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We estimate the capital expenditures for the years ended December 31, 2019 and 2020 will be approximately RMB148.4 million and RMB332.9 million, respectively. These capital expenditures will be financed by proceeds from the Global Offering, working capital generated from operating activities, and loans from banks and financial institutions. For details, please refer to the section headed “Future Plans and Use of Proceeds”.

Although these are our current estimates with respect to our capital expenditures, such estimates may be subject to changes as a result of changes in circumstances and the actual amount of expenditures may vary from the estimated amount of expenditures for a variety of reasons, including changes in market conditions, competitions and other factors. As we continue to expand our business, we may incur additional capital expenditures. Our ability to obtain additional funding for our future capital expenditures is subject to various uncertainties, including our future results of operation, financial positions and cash flows, as well as economic, politics and other conditions in the PRC and Hong Kong.

### WORKING CAPITAL

During the Track Record Period, we met our work capital needs mainly from cash and cash equivalents on hand, cash generated from operations and borrowings. We manage our cash flows and working capital by closely monitoring and managing, among other things, (i) the level of our accounts payables and receivables and (ii) our ability to obtain external financing. We also diligently review future cash flow requirements and assess our ability to meet debt repayment schedule and, if necessary, adjust the investment, financing and dividend payout plans so as to ensure we maintain sufficient working capital. Going forward, we believe our working capital needs will be satisfied with cash generated from operating activities, bank borrowings, and net proceeds from the Global Offering.

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), we had banking facilities of RMB230.0 million, of which RMB122.4 million was unutilized and unrestricted.

Taking into account the net proceeds from the Global Offering and the financial resources available to us, including our available banking facilities and cash flows from operating activities, our Directors are of the opinion, and the Sole Sponsor concurs, that we have sufficient working capital to meet our financial requirements for at least 12 months from the date of this prospectus.

We manage our capital structure by making periodic adjustments to it in light of changes in economic conditions. If our existing cash resources are insufficient to meet our requirements, we may seek to obtain credit facilities or issue equity securities, which might result in dilution of interests to our Shareholders. It is possible that, when we need additional cash resources, financing will only be available to us in amounts or on terms that would not be acceptable to us or financing will not be available at all. If any of the above occurs, our business and financial results may be adversely affected. Our Directors confirm that, other than the Global Offering, we do not currently have any concrete and material external financing plans outside our ordinary course of business.

## FINANCIAL INFORMATION

### SELECTED ITEMS OF CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

#### Net current assets

As of December 31, 2016, 2017 and 2018 and as of April 30, 2019 and August 31, 2019, we recorded net current assets of RMB335.8 million, RMB512.3 million, RMB684.7 million, RMB476.2 million and RMB606.7 million, respectively.

The following table sets forth our current assets, current liabilities and net current assets as of the indicated dates:

	As of December 31,			As of	As of
	2016	2017	2018	April 30,	August 31,
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
					<i>Unaudited</i>
<b>Current assets</b>					
Inventories	41,530	43,353	45,704	50,104	44,494
Trade and notes receivables	1,525,699	2,016,488	2,503,907	2,475,189	2,837,266
Prepayments and other receivables	37,375	58,840	59,766	71,701	65,288
Restricted cash	2,556	11,456	15,680	17,271	28,400
Cash and cash equivalents	300,315	331,801	240,026	302,898	189,643
<b>Total current assets</b>	<b><u>1,907,475</u></b>	<b><u>2,461,938</u></b>	<b><u>2,865,083</u></b>	<b><u>2,917,163</u></b>	<b><u>3,165,091</u></b>
<b>Current liabilities</b>					
Trade and other payables	1,436,211	1,724,657	2,002,587	2,254,360	2,416,186
Lease liabilities	14,899	31,130	21,655	13,058	10,168
Provision for close down, restoration and environmental cost	–	800	3,234	5,175	5,175
Contract liabilities	212	78,313	48,146	29,054	16,701
Current income tax liabilities	64,605	34,745	24,757	16,587	7,562
Borrowings	55,734	80,000	80,000	122,750	102,600
<b>Total current liabilities</b>	<b><u>1,571,661</u></b>	<b><u>1,949,645</u></b>	<b><u>2,180,379</u></b>	<b><u>2,440,984</u></b>	<b><u>2,558,392</u></b>
<b>Net current assets</b>	<b><u>335,814</u></b>	<b><u>512,293</u></b>	<b><u>684,704</u></b>	<b><u>476,179</u></b>	<b><u>606,699</u></b>

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### Inventories

As of December 31, 2016, 2017 and 2018 and as of April 30, 2019, we had net inventories of RMB41.5 million, RMB43.4 million, RMB45.7 million and RMB50.1 million, respectively, accounting for 2.2%, 1.8%, 1.6% and 1.7% of our total current assets.

The table below sets forth the components of our inventories as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Cost:</b>				
Raw materials	41,715	42,824	44,621	48,118
Spare parts	1,982	1,897	1,641	2,464
<b>Provision for impairment loss:</b>				
Raw materials	<u>(2,167)</u>	<u>(1,368)</u>	<u>(558)</u>	<u>(478)</u>
<b>Inventories – net</b>	<b><u>41,530</u></b>	<b><u>43,353</u></b>	<b><u>45,704</u></b>	<b><u>50,104</u></b>

Our raw materials principally consist of cement, aggregates, additives and admixtures, while our spare parts principally comprise low-priced consumables. Our net inventory increased by 4.4% to RMB43.4 million as of December 31, 2017 from RMB41.5 million as of December 31, 2016, primarily due to the increase in the raw materials in stock as a result of newly-constructed batching plants for highway projects we participated. The slight decrease of our spare parts was primarily due to the fact that we used more leased batching plants equipment in our production and thus reduced the spare parts in stock. Our net inventory increased by 5.4% to RMB45.7 million as of December 31, 2018 from RMB43.4 million as of December 31, 2017, primarily due to the increase in raw materials in stock along with the increase in our production volume of ready-mixed concrete as well as the increase in prices of raw materials. The slight decrease of our spare parts was primarily due to the fact that we used more leased batching plants equipment in our production and thus reduced the spare parts in stock. Our net inventory increased by 9.6% to RMB50.1 million as of April 30, 2019 from RMB45.7 million as of December 31, 2018, primarily due to (i) the increase in prices of the raw materials, and (ii) the increased stock of raw materials to mitigate the impact on potential increase in raw materials prices and prepare for the increasing demand for raw materials in the coming months.



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The table below sets forth our average inventory turnover days for the indicated periods:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
Inventory turnover days <sup>(1)</sup>	<u>6</u>	<u>6</u>	<u>5</u>	<u>7</u>

(1) The average inventory turnover days for a year/period represent is calculated as the average balances of inventories at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended December 31, 2016, 2017 and 2018, and 120 days for the four months ended April 30, 2019.

Our inventory turnover days remained relatively stable during the years ended December 31, 2016, 2017 and 2018 and for the four months ended April 30, 2019.

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), the inventories having been utilized or sold amounted to RMB48.9 million, representing 97.5% of inventories in stock as of April 30, 2019.

### Trade and notes receivables

Our trade and notes receivables mainly refer to the receivables from our customers for the sales of products and provision of services during the ordinary course of our business.

The table below sets forth the components of our trade and notes receivables as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Trade receivables – related parties	1,188,599	1,565,239	1,753,353	1,651,617
Trade receivables – third parties	338,355	417,307	743,002	771,828
Less: provision for impairment of receivables	(34,539)	(36,810)	(48,085)	(49,333)
Notes receivable – related parties	28,884	44,352	29,230	28,280
Notes receivable – third parties	4,400	26,400	26,407	72,797
<b>Trade and notes receivables – net</b>	<b><u>1,525,699</u></b>	<b><u>2,016,488</u></b>	<b><u>2,503,907</u></b>	<b><u>2,475,189</u></b>

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Our net trade and notes receivables increased by 32.2% from RMB1,525.7 million as of December 31, 2016 to RMB2,016.5 million as of December 31, 2017 and further increased by 24.2% to RMB2,503.9 million as of December 31, 2018, primarily due to the increase in account receivables along with the increase in our revenue as a result of our business expansion. Our net trade and notes receivables decreased by 1.1% from RMB2,503.9 million as of December 31, 2018 to RMB2,475.2 million as of April 30, 2019, primarily due to the decrease in trade receivables and notes receivable with related parties, resulting from the decrease in the sales volume of ready-mixed concrete to related parties and the achievements in collection of trade receivables with related parties.

Our trade and notes receivables were primarily generated from the sales of our ready-mixed concrete. When determining the payment terms for the sales of our ready-mixed concrete, we may consider the duration of business relationship with our customers, their credit history and the types of the project, we adopt various payment methods in our sales contract, including among others: (i) payment before delivery; (ii) payment upon delivery; or (iii) monthly installment payment of 70% to 100% of the total settlement amount for the previous month's supply. In case of partial payment, the remaining balance is generally settled within three or six months after the completion of concrete casting of the main structure of the project and the qualification of 28-day strength test on standard samples under the witness of us, our customers and the project supervisors.

The table below sets forth the subsequent settlement as of April 30, 2019 for trade and notes receivables outstanding as of December 31, 2016, 2017 and 2018, respectively:

	<b>As of December 31,</b>		
	<b>2016</b>	<b>2017</b>	<b>2018</b>
Outstanding balance of trade and notes receivables ( <i>RMB'000</i> )	1,560,238	2,053,298	2,551,992
Subsequent settlement as of April 30, 2019 ( <i>RMB'000</i> )	1,507,829	1,745,482	1,092,263
Percentage of the subsequent settlement in the outstanding balance (%)	96.6	85.0	42.8

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The table below sets forth the aging analysis of trade and notes receivables as of the indicated dates (based on the invoice date) and the subsequent settlement as of August 31, 2019 for trade and notes receivables outstanding as of April 30, 2019:

Trade and notes receivables		As of December 31,			As of	Subsequent	Percentage
		2016	2017	2018	April 30,	settlement	of the
		(RMB'000)	(RMB'000)	(RMB'000)	2019	as of	subsequent
					(RMB'000)	August 31,	settlement
						2019 for	as of
						trade and	August 31,
						notes	2019
						receivables	in the
						outstanding	outstanding
						as of	balance as of
						April 30,	April 30,
						2019	2019
						(RMB'000)	(%)
Within one year	From related parties	999,979	1,498,390	1,394,934	1,313,129	480,186	36.6
	From independent third parties	221,334	310,166	603,153	681,819	262,040	38.4
One year to two years	From related parties	139,981	80,477	348,553	236,744	118,971	50.3
	From independent third parties	79,086	85,003	101,605	67,444	21,503	31.9
Two years to three years	From related parties	76,630	14,838	33,567	111,675	79,830	71.5
	From independent third parties	25,805	27,399	38,110	72,138	17,047	23.6
Three years to four years	From related parties	1,349	15,764	564	18,038	18,038	100.0
	From independent third parties	4,865	17,071	14,352	10,592	21	0.2
Four years to five years	From related parties	23	–	4,674	115	81	70.4
	From independent third parties	3,297	1,085	9,856	10,036	308	3.1
Over five years	From related parties	124	125	219	195	71	36.4
	From independent third parties	7,765	2,980	2,405	2,597	331	12.7
<b>Total</b>		<b>1,560,238</b>	<b>2,053,298</b>	<b>2,551,992</b>	<b>2,524,522</b>	<b>998,427</b>	<b>39.5</b>

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We apply the simplified approach to provide for expected credit losses pursuant to IFRS 9, which permits the use of the lifetime expected losses for all trade receivables. To measure the expected credit losses, our trade receivables have been grouped based on shared credit risk characteristics and the aging dates. As of December 31, 2016, 2017 and 2018 and as of April 30, 2019, the impairment provisions for trade receivables amounted to RMB34.5 million, RMB36.8 million, RMB48.1 million and RMB49.3 million, respectively, with the ratios of provisions for impairment (calculated at provisions for impairment divided by trade receivables) were 2.3%, 1.9%, 1.9% and 2.0% respectively. As of December 31, 2016, 2017 and 2018 and as of April 30, 2019, the impact of the expected loss rate for notes receivable is assessed to be insignificant. As such, the impairment provisions for notes receivable were not material during the Track Record Period. There were no trade and notes receivables that were past due but not impaired as of December 31, 2016, 2017 and 2018 and as of April 30, 2019.

The table below sets forth the turnover days of trade and notes receivables<sup>(1)</sup> for the periods indicated:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
Turnover days of trade and notes receivables from related parties	184	195	248	358
Turnover days of trade and notes receivables from independent third parties	236	281	239	255
Turnover days of total trade and notes receivables	193	208	246	318

(1) The average turnover days of trade and notes receivables is calculated as the relevant average balances at the beginning and end of the year/period divided by the corresponding revenue for the year/period and multiplied by 365 days for the years ended December 31, 2016, 2017 and 2018, and 120 days for the four months ended April 30, 2019.

Our trade receivables aged over one year outstanding as of April 30, 2019 amounted to RMB529.6 million, and among which, approximately RMB353.0 million, or 66.7% were the trade receivables from YCIH Group, mainly for the sales of concrete and provision of subsequent related service during the ordinary course of our business. We did not have notes receivable aged over one year outstanding as of April 30, 2019. During the Track Record Period, the turnover days of trade and notes receivables from independent third parties remained relatively stable. The long aging of the trade and notes receivables and the increase in our turnover days of trade and notes receivables from related parties as well as our total trade and notes receivables for the years ended December 31, 2016, 2017 and 2018 are generally in

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## FINANCIAL INFORMATION

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line with our business expansion, which includes our participation in a number of government funded infrastructure construction projects like Public Private Partnership (PPP) projects. The MOF issued a notice on rectification of Public Private Partnership (PPP) projects in December 2017, which was implemented in Yunnan Province in 2018. We understand from our customers that the banks tightened its credit policies towards government funded projects due to the implementation of the policies under such notice and thus our settlement process for these types of projects was prolonged, resulting in the low collection of trade and notes receivables from such projects and the increase in our turnover days of trade and notes receivables in 2018. For the four months ended April 30, 2019, our turnover days of trade and notes receivables from related parties further increased to 358 days and the turnover days of our total trade and notes receivables further increased to 318 days. Besides the aforementioned reason, our prolonged turnover days of trade and notes receivables from related parties as well as our total trade and notes receivables were also due to the relatively lower level of the revenue during the first quarter of the year as affected by the Chinese New Year which is common in the concrete industry, and was influenced by the overall slowdown of the capital turnover in the construction industry in the first quarter of 2019 as affected by the macro-economic landscape in the PRC.

In order to collect the long outstanding trade and notes receivables and to shorten the turnover days of trade and notes receivables, we have adopted relevant internal policies and procedures and carried out follow-up actions. We set up a special working team recently to focus on, among other things, the collection of long outstanding accounts receivable. This working team is led by Chairman Ma and comprises our general manager, three deputy general managers, our chief financial officer and our chief economist as well as other department leaders. This working team leads the overall process in collecting accounts receivable and is responsible for liaising with customers having long aging trade receivables. Our Enterprise Management Department supervises the marketing team to follow up on the settlement in a timely manner, and makes monthly report as well as requests our branch offices and subsidiaries to designate specific personnel in charge of collection and formulating collection plans for the accounts receivable in their charge, so as to alert themselves to collect the payments under the contract. Our Legal Department reviews the data on customers' credit record provided by the Enterprise Management Department, and issues collection letters, arranges the issue of pre-action letters, or takes legal actions for the receivable that cannot be collected by the operating personnel for a certain period of time. In addition, we also include the accounts receivable collection of relevant branch offices and subsidiaries as an indicator of our remuneration assessment system, so as to motivate the performance of our staff in respect of collecting accounts receivable. Our Directors expect that the turnover days of trade and notes receivables will be shortened and better collection of trade and notes receivables will be achieved in the forthcoming years as compared with 2018 after our continuous efforts.

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## FINANCIAL INFORMATION

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### Prepayments and other receivables

Our prepayments and other receivables principally consist of the prepayments for raw materials to suppliers, bidding bonds and performance bonds.

The table below sets forth the components of our prepayments and other receivables as of the indicated dates:

	<u>As of December 31,</u>			<u>As of</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>April 30,</u>
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<u>2019</u>
				<i>(RMB'000)</i>
Other receivables – related parties	12,016	23,440	2,322	3,483
Other receivables – third parties	18,410	24,662	23,026	27,210
Less: provision for impairment of receivables	(866)	(1,618)	(2,201)	(3,031)
Prepayment – listing expenses	–	–	11,207	25,945
Prepayments – others	7,815	11,522	19,444	12,136
Other current assets	–	834	5,968	5,958
<b>Prepayments and other receivables – net</b>	<b><u>37,375</u></b>	<b><u>58,840</u></b>	<b><u>59,766</u></b>	<b><u>71,701</u></b>

Our net prepayments and other receivables increased by 57.4% to RMB58.8 million as of December 31, 2017 from RMB37.4 million as of December 31, 2016, primarily due to (i) the increase in prepayment for purchase of raw materials as a result of increase in the sales volume of our products as well as the increase in price of raw materials; and (ii) the increase in receivables from bidding bonds as a result of more bids we participated in during 2017 due to our business expansion, and partially offset by the provision for impairment of receivables. As of December 31, 2018, our prepayments and other receivables was RMB59.8 million, which was stable as compared with that of December 31, 2017. Our net prepayments and other receivables increased by 20.0% to RMB71.7 million as of April 30, 2019 from RMB59.8 million as of December 31, 2018, primarily due to the capitalization of part of the listing expenses.

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### Trade and other payables

Our trade and other payables principally consist of amounts due to suppliers for the purchase of raw materials for our products and components, freight payment, construction fees, staff salaries and benefits payable, dividends payable and accrued taxes other than income tax.

The table below sets forth the components of our trade and other payables as of the indicated dates:

	As of December 31,			As of
	2016	2017	2018	April 30,
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Notes payable	4,000	18,000	62,050	54,500
Trade payables – related parties	186,138	230,640	145,918	147,534
Trade payables – third parties	812,217	1,052,591	1,470,721	1,496,777
Other payables – related parties	138,778	135,648	74,601	71,166
Other payables – third parties	43,497	42,419	50,303	41,617
Staff salaries and welfare payable	72,558	82,132	84,556	88,752
Interest payable	70	129	148	515
Dividends payable	92,574	92,199	82,810	332,822
Accrued taxes other than income tax	86,379	70,899	31,480	20,677
<b>Total</b>	<b><u>1,436,211</u></b>	<b><u>1,724,657</u></b>	<b><u>2,002,587</u></b>	<b><u>2,254,360</u></b>

Our trade and other payables increased by 20.1% from RMB1,436.2 million as of December 31, 2016 to RMB1,724.7 million as of December 31, 2017 and further increased by 16.1% to RMB2,002.6 million as of December 31, 2018, primarily due to the increase in the notes payable and trade payables as a result of increased purchase of raw materials along with our increasing sales volume as well as the increase in the price of raw materials (mainly cement). Our trade and other payables increased by 12.6% from RMB2,002.6 million as of December 31, 2018 to RMB2,254.4 million as of April 30, 2019, primarily due to the dividends payable of RMB243.2 million to our existing Shareholders declared in March 2019.

Our trade payables principally comprised amounts due to suppliers for the purchase of raw materials for our products and components. The payment term of our agreement with the suppliers generally requires us to settle 70% to 80% of total purchase amount for the prior month, and the remaining is to be settled within six months after the completion of supply.

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The table below sets forth the aging analysis of our trade and other payables based on the invoice date as of the indicated dates:

	As of December 31,			As of April 30,
	2016	2017	2018	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
Within one year	1,224,720	1,547,999	1,632,689	1,511,703
One year to two years	89,135	123,176	294,718	579,087
Two years to three years	88,217	14,534	28,117	109,729
Three years to four years	9,171	30,398	14,753	15,608
Four years to five years	21,759	4,506	27,973	32,256
Over five years	3,209	4,044	4,337	5,977
<b>Total</b>	<b><u>1,436,211</u></b>	<b><u>1,724,657</u></b>	<b><u>2,002,587</u></b>	<b><u>2,254,360</u></b>

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), approximately RMB938.7 million or 57.1% of trade payables outstanding as of April 30, 2019 had been settled.

The table below sets forth the turnover days of our trade and notes payables for the indicated periods:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
	Turnover days of trade and notes payables <sup>Note</sup>	<u>147</u>	<u>155</u>	<u>181</u>

*Note:* The average turnover days of trade and notes payables is calculated as their average balances at the beginning and end of the year/period divided by cost of sales for the year/period and multiplied by 365 days for the years ended December 31, 2016, 2017 and 2018 and 120 days for the four months ended April 30, 2019.

Our turnover days of trade and notes payables increased during the Track Record Period, as the suppliers did not request us for an immediate settlement, which we believe was attributable to our leading market position in the concrete industry of Yunnan Province as well as our long-term relationship with them. The increase in our turnover days of trade and notes payables was also in line with the increase in our turnover days of trade and notes receivables during the Track Record Period, which was affected by the overall slowdown of the capital turnover in the construction industry.



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Our Directors confirm that there had been no material defaults in our trade and other payables during the Track Record Period.

### Lease liabilities

We adopted IFRS 16 since January 1, 2016, the earliest period presented in the Accountant's Report in Appendix I to this prospectus. Our lease liabilities are generated from the recognized liabilities for the minimum lease payments under the irrevocable lease contracts that we entered into with the term of more than one year. Such lease contracts include, among others, the lease of ready-mixed concrete production lines related buildings and equipment.

Our present value of lease liabilities increased by 45.4% to RMB54.7 million as of December 31, 2017 from RMB37.6 million as of December 31, 2016, primarily due to the increase in lease liabilities as a result of increasing number of batching plants equipment leased in order to satisfy the demands for several highway projects we participated in 2017. The present value of the our lease liabilities decreased by 31.9% to RMB37.2 million as of December 31, 2018 from RMB54.7 million as of December 31, 2017, and further decreased by 28.5% to RMB26.6 million as of April 30, 2019 primarily because the principal of our lease liabilities (calculated based on the unpaid minimum lease payment during the lease period, which is linked to the minimum production volume of concrete to be produced by the leased equipment of the batching plant during the lease period) and interest thereon gradually reduced along with the production and operation of the batching plants equipment leased.

The table below sets forth the breakdown of our lease liabilities as of the indicated dates:

	As of December 31,			As of
	2016	2017	2018	April 30,
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
<b>Minimum lease payments due</b>				
Within one year	17,387	33,949	24,334	15,735
Between one and two years	10,417	13,864	8,100	4,335
Between two and five years	9,577	7,296	4,995	4,872
Later than five years	8,299	8,209	6,618	6,052
<b>Total</b>	<b>45,680</b>	<b>63,318</b>	<b>44,047</b>	<b>30,994</b>
Less: future finance charges	(8,089)	(8,658)	(6,827)	(4,384)
<b>Present value of lease liabilities</b>	<b>37,591</b>	<b>54,660</b>	<b>37,220</b>	<b>26,610</b>

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### Contract liabilities

Our contract liabilities mainly include the advanced payments received from customers for sales of ready-mixed concrete. Our contract liabilities increased to RMB78.3 million as of December 31, 2017 from RMB0.2 million as of December 31, 2016, primarily due to the fact that we received the advanced payments from YCIH Group for the supply of ready-mixed concrete in the construction projects undertaken by it. Our contract liabilities decreased to RMB48.1 million as of December 31, 2018 from RMB78.3 million as of December 31, 2017, and further decreased by 39.7% to RMB29.1 million as of April 30, 2019 primarily due to the conversion of contract liabilities to revenue as a result of the performance of our contractual obligations along with the construction progress of the projects undertaken by our customers.

### INDEBTEDNESS

The table below sets forth the components of our borrowings as of the indicated dates:

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
					<i>Unaudited</i>
<b>Non-current borrowings:</b>					
Bank borrowings	4,000	–	–	–	–
Less: Non-current borrowings due within one year	(4,000)	–	–	–	–
<b>Current borrowings:</b>					
Bank borrowings guaranteed by YCIH	–	80,000	80,000	–	–
Secured bank borrowings	51,734	–	–	42,750	22,600
Unsecured bank borrowings	–	–	–	80,000	80,000
Non-current borrowings due within one year	4,000	–	–	–	–
<b>Total</b>	<b>55,734</b>	<b>80,000</b>	<b>80,000</b>	<b>122,750</b>	<b>102,600</b>

For the years ended December 31, 2016, 2017 and 2018, the four months ended April 30, 2019 and the eight months ended August 31, 2019, our average interest rates for borrowings were 5.87%, 5.78%, 6.68%, 5.66% and 5.66%, respectively.

For the years ended December 31, 2016, 2017 and 2018, the four months ended April 30, 2019 and the eight months ended August 31, 2019, our borrowings were all calculated in RMB, and part of our secured borrowings was secured by the land use rights we own and the other part of our secured borrowings represented borrowings from discounting notes receivable which were not derecognized; our guaranteed borrowings were guaranteed by YCIH, our Controlling Shareholder, and such guarantee was released in March 2019.

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## FINANCIAL INFORMATION

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The table below sets forth the maturity of our borrowings as of the indicated dates:

	As of December 31,			As of April 30,	As of August 31,
	2016	2017	2018	2019	2019
	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>	<i>(RMB'000)</i>
On demand or within one year	55,734	80,000	80,000	122,750	102,600
<b>Total</b>	<b>55,734</b>	<b>80,000</b>	<b>80,000</b>	<b>122,750</b>	<b>102,600</b>

*Unaudited*

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), our interest-bearing bank and other borrowings amounted to RMB102.6 million. Our bank loans were mainly used as working capital. We plan to repay such bank loans with cash from our operations.

As of August 31, 2019 (being the latest practicable date to determine our indebtedness), our banking facilities were RMB230.0 million, of which RMB122.4 million remained unutilized and unrestricted.

Except as disclosed above, as of August 31, 2019 (being the latest practicable date to determine our indebtedness), we did not have any debt securities issued or outstanding, or authorized or otherwise created but unissued, term loans, acceptance liabilities (other than normal trade bills), acceptance credits, hire purchase commitments, mortgages and charges, and material contingent liabilities.

Our bank borrowing agreements contain standard terms, conditions and covenants that we believe are customary for commercial bank loans. During the Track Record Period and as of the Latest Practicable Date, our Directors confirm that to the best of their knowledge, we did not have material defaults in payment of trade and non-trade payables or bank borrowings or breach of any finance covenants. Given our credit history and our current credit status, we believe that we will not encounter any material difficulties in obtaining additional bank borrowings in the future.

As of December 31, 2016 and 2017, 2018 and as of April 30, 2019 and August 31, 2019, our lease liabilities (comprising both current and non-current liabilities) amounted to approximately RMB37.6 million, RMB54.7 million, RMB37.2 million, and RMB26.6 million and RMB22.1 million, respectively. The increase of our lease liabilities during the year ended December 31, 2017 was primarily because more lease contracts with minimum production volume were entered into during the year. The decreases of lease liabilities during the year ended December 31, 2018, the four months ended April 30, 2019 and the eight months ended August 31, 2019 were primarily due to the fact that the principal of our lease liabilities

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## FINANCIAL INFORMATION

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(calculated based on the unpaid minimum lease payment during the lease period, which is linked to the minimum production volume of concrete to be produced by the leased equipment of the batching plant during the lease period) and interest thereon gradually reduced along with the production and operation of the batching plants equipment leased.

Our Directors confirm that, save as disclosed above, from August 31, 2019 to the date of this prospectus, there were no material changes in our indebtedness.

### CONTINGENT LIABILITIES

Save as disclosed above, as of the Latest Practicable Date, we did not have any material purchase commitment, guarantees or other material contingent liabilities.

### OFF-BALANCE SHEET ARRANGEMENTS

As of the Latest Practicable Date, we did not have any off-balance sheet arrangements.

### FINANCIAL RATIOS

The following table sets forth the summary of key financial ratios during the Track Record Period:

	Year ended December 31,			Four months ended April 30,
	2016	2017	2018	2019
Current ratio <sup>(1)</sup>	1.2	1.3	1.3	1.2
Quick ratio <sup>(2)</sup>	1.2	1.2	1.3	1.2
Return on total assets <sup>(3)</sup>	10.3%	8.7%	6.0%	N/A <sup>(6)</sup>
Return on equity <sup>(4)</sup>	35.5%	30.3%	20.4%	N/A <sup>(6)</sup>
Interest coverage ratio <sup>(5)</sup>	11.9	44.3	25.8	12.4

(1) Current ratio equals to current assets divided by current liabilities as of the end of the year/period.

(2) Quick ratio equals to current assets (excluding inventories) divided by current liabilities as of the end of the year/period.

(3) Return on total assets equals to profits for the year/period divided by average of total assets at the beginning and end of the year/period.

(4) Return on equity equals to profits for the year/period divided by average of total equity at the beginning and end of the year/period.

(5) Interest coverage ratio equals to earnings before interest and tax divided by finance cost.

(6) Not applicable.

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## FINANCIAL INFORMATION

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### **Current ratio**

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our current ratios were 1.2, 1.3, 1.3 and 1.2, respectively, remaining stable. The relevant movements for the years ended December 31, 2016, 2017 and 2018 were principally because the balance of current assets and current liabilities increased year by year, whereas the increase of average balance of current assets was slightly higher than that of current liabilities. For further details regarding the movements of our current assets and current liabilities during the Track Record Period, please refer to “– Net current assets”.

### **Quick ratio**

For the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, our quick ratios were 1.2, 1.2, 1.3 and 1.2, respectively, remaining stable. The relevant movements for the years ended December 31, 2016, 2017 and 2018 were principally because the balance of accounts payable increased year by year, and the increase of average balance of current assets (excluding inventories) was slightly higher than that of current liabilities. For further details regarding the movements of our current assets and current liabilities during the Track Record Period, please refer to “– Net current assets”.

### **Return on total assets**

For the years ended December 31, 2016, 2017 and 2018, our returns on total assets were 10.3%, 8.7% and 6.0%, respectively, representing a slight decrease year by year. The relevant movements were principally due to (i) the decrease in sales profit margin caused by the increase in costs of materials, transportation and manufacturing, with the product price not adjusted in a timely manner; and (ii) the decrease in asset turnover rate caused by the slightly lower increase range of accounts payable than accounts receivable to maintain a stable supplier relationship in the context of a rapid rise in accounts receivable resulting from poor collection. For details, please refer to “– Description of Selected Components of Our Consolidated Statements of Comprehensive Income”.

### **Return on equity**

For the years ended December 31, 2016, 2017 and 2018, our returns on equity were 35.5%, 30.3% and 20.4%, respectively, representing a slight decrease year by year, primarily due to the decrease in the profitability on assets per unit as a result of the deleveraging in the PRC market as well as the movement of our net profit and total equity. For details, please refer to “– Description of Selected Components of Our Consolidated Statements of Comprehensive Income”.

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### Interest coverage ratio

For the years ended December 31, 2016, 2017 and 2018, our interest coverage ratios were 11.9, 44.3 and 25.8, respectively. For the year ended December 31, 2017, our interest coverage ratio increased by 272.3% as compared with that for the year ended December 31, 2016, principally due to the sharp decrease in interest expenses of loans from related parties caused by our settlement of borrowings from YNJG in 2016. For the year ended December 31, 2018, our interest coverage ratio decreased by 41.8% as compared with that for the year ended December 31, 2017, principally due to the increase in our average borrowings in 2018 and the higher interest expenses expended. For the four months ended April 30, 2019, our interest coverage ratio decreased to 12.4 by 40.7% from 20.9 for the four months ended April 30, 2018, principally due to (i) the decrease of profit before tax resulting from the decrease in the revenue as a result of the decrease in our sales volume of ready-mixed concrete, and (ii) the increase in our finance costs resulting from the increase in the bill discount fees incurred. For details, please refer to “– Description of Selected Components of Our Consolidated Statements of Comprehensive Income”.

### LISTING EXPENSES

By the completion of the Global Offering, we expect to incur listing expense of approximately RMB77.8 million (based on the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised, including underwriting commissions, maximum discretionary incentive fees, where applicable), of which approximately RMB0.3 million and RMB0.3 million have been recognized as our administrative expenses for the year ended December 31, 2018 and for the four months ended April 30, 2019, respectively; an estimated amount of approximately RMB4.2 million will be recognized as our administrative expenses; and an estimated amount of approximately RMB73.0 million will be recognized directly in equity. The listing expenses above are the latest practicable estimate for reference only and the actual amount may differ from this estimate. Our Directors do not expect such expenses to materially impact our results of operations in 2019.

### QUANTITATIVE AND QUALITATIVE DISCLOSURE ABOUT FINANCIAL RISK

We are, in the ordinary course of our business, exposed to a variety of financial risks, including market risk (including cash flow and fair value interest rate risk), credit risk and liquidity risk. Our overall risk management policy focuses on the unpredictability of financial markets and seeks to minimize potential adverse effects on our financial performance to the extent possible. We currently do not use any derivative financial instruments to hedge certain risk exposures. Our primary objectives when managing capital are to safeguard the ability of the Group to continue as a going concern, so that it can continue to provide returns for our Shareholders. We manage our capital structure and make adjustments to it, in light of changes in economic conditions. Please refer to Note 3 to “Appendix I – Accountant’s Report” for further details regarding our management on financial risks.

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## FINANCIAL INFORMATION

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### **Cash flow and fair value interest rate risk**

Our interest rate risk is mainly attributable to its cash and cash equivalents, bank borrowings and lease liabilities. Financial assets and liabilities at variable rates expose us to cash flow interest rate risk, while financial assets and liabilities at fixed rates expose us to fair value interest rate risk.

As of December 31, 2016, 2017 and 2018 and as of April 30, 2019, if interest rates on cash and cash equivalents and bank borrowings had been 10% higher/lower with all other variables held constant, profit after taxation for such year/period would have decreased/increased by approximately RMB267,000, RMB24,000, RMB336,000 and RMB147,000, respectively, mainly as a result of the generation of net interest income/expenses.

### **Credit risk**

The carrying amounts of cash and cash equivalents, restricted cash balances, trade and notes receivables and other receivables contained in the consolidated financial statements represent our maximum exposure to credit risk in relation to financial assets. The objective of our measures to manage credit risk is to control potential exposure to recoverability problem.

The majority of our cash and cash equivalents and restricted cash balances were deposited in the state-owned banks in the PRC and YCIH Financial Company, which our Directors believe are of high credit quality.

We make provisions for expected credit losses on a timely basis. In calculating the expected credit losses, we consider historical loss rates for each category of receivables and adjust them based on forward-looking macroeconomic data including China's sustainable growth rate in infrastructure construction and real estate investment.

### **Liquidity risk**

We seek to maintain sufficient cash and sources of funding through committed credit facility and to maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, our management carries out the real-time monitoring of our liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flow. All borrowings are in compliance with relevant contract terms, if any, and we expect to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

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## FINANCIAL INFORMATION

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### DIVIDEND POLICY

Our Company declared dividend of approximately RMB82.2 million, nil, nil and RMB243.2 million, respectively, to our Shareholders for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019. Our Articles of Association provide that dividends may be paid in cash and/or stock. Any proposed dividend distribution shall be formulated by the Board and subject to Shareholders' approval. The amount of dividends to be declared and distributed will depend on the following factors: our overall business condition, results of operation, financial results, working capital, capital requirements, future prospects, cash flows and any other factors which our Board may deem relevant. In principle, we expect to distribute the dividends once a year in an amount of no less than one third of our annual distributable profit attributable to equity holders of our Company for the relevant year, and such distribution shall be made within the subsequent year. We may declare interim dividend after taking into account the factors that our Board deems relevant.

After the listing of the H Shares on the Hong Kong Stock Exchange, the net profit after tax of our Company used for dividend distribution will be the lesser of (i) the net profit determined in accordance with accounting rules and regulations of the PRC, or (ii) the net profit determined in accordance with IFRSs. However, we cannot assure you that we will be able to declare or distribute dividend in any amount each year or in any year. The declaration and distribution of dividend may be limited by legal restrictions or financing arrangements which we may enter into in the future.

### DIVIDEND DISTRIBUTION BEFORE LISTING

Based on the resolutions of the Shareholders' meeting dated March 15, 2019, our accumulated distributable profits prior to the Global Offering are distributed as follows:

- (i) Our existing Shareholders were entitled to a dividend of RMB243.2 million. Please refer to Note 32 to "Appendix I – Accountant's Report" for details;
- (ii) Our Company intends to reserve the undistributed profits of RMB10.3 million and the accumulated profits from January 1, 2019 to the last day immediately prior to the Listing for the distribution of dividends to our existing and new Shareholders. The actual amount of such dividends will be determined upon the completion of the audit of our financial statements for the year ending December 31, 2019.

As of the Latest Practicable Date, RMB38.0 million of the dividend as described in (i) above had been paid and the remaining dividend will be paid before the Listing.

### DISTRIBUTABLE RESERVES

As of April 30, 2019, the total amount of our distributable reserves amounted to approximately RMB110.3 million (being our retained earnings).



## FINANCIAL INFORMATION

### UNAUDITED PRO FORMA ADJUSTED NET TANGIBLE ASSETS

The following unaudited pro forma adjusted net tangible assets statement attributable to the equity holders of our Company has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules, and is set out below to illustrate the effect of the Global Offering on the consolidated net tangible assets attributable to equity holders of our Company as of April 30, 2019, as if the Global Offering had taken place on April 30, 2019.

This unaudited pro forma statement of adjusted net tangible assets has been prepared for illustrative purposes only and because of its hypothetical nature, it may not give a true picture of our financial position had the Global Offering been completed as of April 30, 2019 or at any future dates.

	Audited consolidated net tangible assets of our Group attributable to the equity holders of our Company as of April 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of our Company as of April 30, 2019	Unaudited pro forma adjusted net tangible assets of our Group attributable to the equity holders of our Company per Share	
	<i>(RMB'000)</i> <i>(Note 1)</i>	<i>(RMB'000)</i> <i>(Note 2)</i>	<i>(RMB'000)</i>	<i>(RMB)</i> <i>(Note 3)</i>	<i>(Equivalent to HK\$)</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$2.76 per Share	668,428	239,713	908,141	2.03	2.37
Based on an Offer Price of HK\$3.51 per Share	668,428	325,830	994,258	2.23	2.60

*Notes:*

- (1) The audited consolidated net tangible assets information of our Group attributable to equity holders of our Company as of April 30, 2019 are extracted from the Accountant's Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of our Group attributable to equity holders of our Company as of April 30, 2019 of approximately RMB668,517,000 with an adjustment for the intangible assets of our Group as of April 30, 2019 of approximately RMB89,000.
- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.76 (equivalent to RMB2.37) and HK\$3.51 (equivalent to RMB3.01) per Offer Share, being the lower end and higher end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other listing related expenses payable by the Company, and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets of our Group attributable to equity holders of our Company as of April 30, 2019 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 446,272,000 Shares were in issue assuming that the Global Offering has been completed on April 30, 2019 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.

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## FINANCIAL INFORMATION

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- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8578 to HK\$1.00. No representation is made that any amount in Renminbi can be or could have been or may be converted at the above rates or any other rates at all.
- (5) No adjustment has been made to reflect any trading or other transactions of our Group entered into subsequent to April 30, 2019.

### DISCLOSURE UNDER RULES 13.13 TO 13.19 OF HONG KONG LISTING RULES

Our Directors confirm that, as of the Latest Practicable Date, there were no circumstances which would give rise to disclosure requirements under Rules 13.13 to 13.19 of the Hong Kong Listing Rules, with respect to advances to an entity, provisions of financial assistances and guarantees by an issuer to its affiliated companies, pledge of shares by controlling shareholders, covenants in loan agreement relating to specific performance of controlling shareholders and breach of loan agreement by an issuer.

### RELATED PARTY TRANSACTIONS

Our Directors consider that each of the related party transactions set out in Note 34 in “Appendix I – Accountant’s Report” (except for the dividends to related parties) was conducted in the ordinary and usual course of business and on normal commercial terms between the relevant parties, which are considered fair, reasonable and are in the interest of our Company and our Shareholders as a whole. As of April 30, 2019, the outstanding balance due from us to the related parties amounted to RMB569.3 million and the outstanding balance due from the related parties to us amounted to RMB1,862.2 million. The table below sets forth the summary of our outstanding balances with related parties as of April 30, 2019:

	<b>As of</b> <b>April 30,</b> <b>2019</b>
	<b>(RMB’000)</b>
Dividends payables to related parties	326,214
Deposits with YCIH Financial Company	178,797
Outstanding balance due from us to the related parties incurred in our ordinary and usual course of business (i.e. trade payables, other payables and contract liabilities)	243,059
Other outstanding balance due from the related parties to us incurred in our ordinary and usual course of business (i.e. trade receivables, other receivables and notes receivables)	1,683,380

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## **FINANCIAL INFORMATION**

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We expect to settle all of our dividends payables to related parties as well as other payables and other receivables which are not of trade nature with related parties before the Listing. We may also settle the outstanding balances incurred in our ordinary and usual course of business from time to time in accordance with the terms of the underlying contracts, including other payables and other receivables of trade nature with related parties. Depending on our liquidity requirement, we may withdraw our deposits with YCIH Financial Company from time to time as they are demand deposits without fixed term.

### **RECENT DEVELOPMENTS AND NO MATERIAL ADVERSE CHANGES**

Our business model, revenue and cost structure have remained unchanged since April 30, 2019.

Our Directors confirm that they have performed sufficient due diligence to ensure that, from April 30, 2019 (being the preparation date of the latest consolidated financial results of our Company) to the date of this prospectus, there has been no material adverse change in our financial or trading positions, and there has been no event since April 30, 2019 which would materially affect the information shown in the Accountant's Report set out in Appendix I to this prospectus.

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## CORNERSTONE INVESTORS

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### THE CORNERSTONE PLACING

We have entered into cornerstone investment agreements with two cornerstone investors (each a “**Cornerstone Investor**”, collectively the “**Cornerstone Investors**”), pursuant to which the Cornerstone Investors have agreed to subscribe, or cause their designated entities to subscribe, at the Offer Price, for a total of 53,552,000 Offer Shares (the “**Cornerstone Placing**”).

The Directors believe that introducing the Cornerstone Investors to the Global Offering can secure the subscription of a certain amount of Offer Shares, thus reducing the risk of unsuccessful issuance under volatile market conditions. The Cornerstone Investors are well-known enterprises in their respective fields, and the Directors believe that their commitment under the Cornerstone Placing may incentivise potential investors to invest in the Company. The Directors also believe that introducing the Cornerstone Investors from the upstream of the industry in which the Company operates can foster and strengthen the Company’s business relationship with such investors, which is beneficial to the business development of the Company.

The Cornerstone Placing will form part of the International Offering and none of such Cornerstone Investors will subscribe for any Offer Share under the Global Offering (other than and pursuant to their respective cornerstone investment agreements). The Offer Shares to be subscribed by the Cornerstone Investors will rank *pari passu* in all respects with the other fully paid H Shares in issue upon completion of the Global Offering and will be counted towards the public float of the Company. None of the Cornerstone Investors has a representative on our Board or will become a substantial shareholder of the Company upon completion of the Global Offering. The Offer Shares to be subscribed by the Cornerstone Investors may be affected by any reallocation of the Offer Shares between the International Offering and the Hong Kong Public Offering in the event of over-subscription under the Hong Kong Public Offering as described in the section headed “Structure of the Global Offering – The Hong Kong Public Offering” in this prospectus. Details of the actual number of Offer Shares to be allocated to the Cornerstone Investors will be disclosed in the allotment results announcement to be issued by us on or around October 30, 2019.

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## CORNERSTONE INVESTORS

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### CORNERSTONE INVESTORS

We have entered into cornerstone investment agreements with each of the following Cornerstone Investors in respect of the Cornerstone Placing:

Cornerstone Investor	Number of H Shares agreed to be subscribed for	Indicative Offer Price <sup>Note</sup>	Investment amount (unless otherwise specified, excluding brokerage, SFC transaction levy and Hong Kong Stock Exchange trading fee)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment is not exercised)	Approximate percentage of the Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment is exercised in full)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment is not exercised)	Approximate percentage of the H Shares in issue immediately following the completion of the Global Offering (assuming the Over-allotment Option is exercised in full)
1. Zoomlion International Trading (H.K.) Co., Limited	13,388,000	HK\$2.76 HK\$3.135 HK\$3.51	HK\$36.95 million HK\$41.97 million HK\$46.99 million	3.0%	2.87%	10.00%	8.70%
2. China Resources Cement Holdings (Hong Kong) Limited	40,164,000	HK\$2.76 HK\$3.135 HK\$3.51	HK\$110.85 million HK\$125.91 million HK\$140.98 million	9.0%	8.61%	30.00%	26.09%

*Note:* Being the low-end, mid-point and high-end of the proposed Offer Price range set out in this prospectus respectively.

The information about the Cornerstone Investors set forth below has been provided by the Cornerstone Investors in connection with the Cornerstone Placing. To the best knowledge of our Company, each of the Cornerstone Investors is independent of our Company, our connected persons and their respective associates. To the best knowledge of our Company and as confirmed by each of the Cornerstone Investors, the source of funding for the Cornerstone Placing was from its internal resources. As confirmed by our Company and each of the Cornerstone Investors, (i) its Cornerstone Placing was not directly or indirectly financed by our Company or any core connected person of our Company; (ii) such Cornerstone Investor was not accustomed to take any instructions from our Company or any core connected person of our Company in relation to the acquisition, disposal, voting or any other disposition of securities of our Company; and (iii) there was no side agreement or arrangement made between the Group and such Cornerstone Investor in respect of the Cornerstone Placing.

**Zoomlion International Trading (H.K.) Co., Limited**

Zoomlion International Trading (H.K.) Co., Limited is a company incorporated in Hong Kong with limited liability. It is an indirectly wholly-owned subsidiary of Zoomlion Heavy Industry Science and Technology Co., Ltd. (“**Zoomlion**”) which mainly engages in the research, development, manufacturing, sales and services of engineering machineries and agricultural machineries. Zoomlion is one of the first national innovative enterprises selected by the Ministry of Science and Technology of the PRC, SASAC and All-China Federation of Trade Unions in 2008, and the first construction machinery manufacturer among its industry with its A shares listed domestically (Shenzhen Stock Exchange, stock code: 000157) and H shares listed in Hong Kong (Hong Kong Stock Exchange, stock code: 1157). Zoomlion ranked 13th among the World’s 50 Largest Construction Equipment Manufacturers in 2019 according to the International Construction magazine published by KHL Group.

Our Directors have confirmed that Zoomlion was one of our suppliers and primarily supplied concrete mixer trucks to us. Our Directors consider that our transactions with Zoomlion were negotiated on an arm’s length basis and were conducted in the ordinary course of business and on normal commercial terms.

**China Resources Cement Holdings (Hong Kong) Limited**

China Resources Cement Holdings (Hong Kong) Limited (“**CR Cement (HK)**”) is a company incorporated in Hong Kong with limited liability and mainly engages in holding investments in its subsidiaries. It is a wholly-owned subsidiary of China Resources Cement Holdings Limited, which was incorporated in the Cayman Islands as an exempted company with limited liability, whose shares are listed on the Main Board of the Hong Kong Stock Exchange (stock code: 1313) (“**CR Cement**”). The subsidiaries of CR Cement (HK) are principally engaged in the manufacture and sale of cement, concrete and other related products and services.

Our Directors have confirmed that certain subsidiaries and / or associated companies of CR Cement supplied cement to us during the Track Record Period. Our Directors consider that our transactions with these subsidiaries or associated companies of CR Cement were negotiated on an arm’s length basis and were conducted in the ordinary course of business and on normal commercial terms.

***Conditions Precedent***

The subscription obligation of each Cornerstone Investor is subject to, among other things, the following conditions precedent:

- (a) the Underwriting Agreements being entered into and having become effective and unconditional (in accordance with their respective original terms or as subsequently waived or varied by agreement of the parties thereto) by no later than the time and date as specified in these underwriting agreements, and neither of the aforesaid underwriting agreements having been terminated;

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## CORNERSTONE INVESTORS

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- (b) the Offer Price having been agreed between the Company and the Sole Global Coordinator (on behalf of the Underwriter(s));
- (c) the Listing Committee having granted the listing of, and permission to deal in, the H Shares, as well as other applicable waivers, approvals and permissions, and such approval, waiver or permission having not been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (d) no relevant laws shall have been enacted or promulgated by any governmental authority which prohibits the consummation of the transactions contemplated in the Global Offering or herein and there shall be no orders or injunctions from a court of competent jurisdiction in effect precluding or prohibiting consummation of such transactions; and
- (e) the respective representations, warranties, acknowledgements, undertakings and confirmations of the relevant Cornerstone Investors under the relevant cornerstone investment agreements are accurate and true in all respects and not misleading and that there is no material breach of the relevant cornerstone investment agreements on the part of the relevant Cornerstone Investors.

### RESTRICTIONS ON DISPOSALS BY THE CORNERSTONE INVESTORS

Each Cornerstone Investor has agreed that it will not, whether directly or indirectly, at any time during the period of six (6) months from the Listing Date, (i) dispose of, in any way, any of the H Shares subscribed for by it under the relevant cornerstone investment agreement (the “**Relevant Shares**”) or any interest in any company or entity holding any Relevant Shares; (ii) allow itself to undergo a change of control (as defined in the Takeovers Code) at the level of its ultimate beneficial owner; (iii) agree to or enter into a purchase or publicly announce any plans for the aforementioned transactions; or (iv) enter into any transactions directly or indirectly with the same economic effect as any aforesaid transaction.

Each Cornerstone Investor may transfer the Relevant Shares in certain limited circumstances as set out in the relevant cornerstone investment agreement, such as a transfer to a wholly-owned subsidiary of such Cornerstone Investor, provided that prior to such transfer, such wholly-owned subsidiary undertakes to be bound by such Cornerstone Investor’s obligations under the relevant cornerstone investment agreement and be subject to the restrictions on disposal of the Relevant Shares imposed on such Cornerstone Investor.

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## FUTURE PLANS AND USE OF PROCEEDS

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### FUTURE PLANS

For a detailed description of our future plans, please refer to the section headed “Business – Our Development Strategies”.

### USE OF PROCEEDS

We estimate that we will receive net proceeds from the Global Offering of approximately HK\$333.42 million (assuming an Offer Price of HK\$3.135 per H share, being the mid-point of the Offer Price range stated in this prospectus), after deducting the underwriting commissions and other estimated expenses paid and payable by us in relation to the Global Offering, and assuming no exercise of the Over-allotment Option.

We intend to apply the net proceeds from the Global Offering for the following purposes:

- Approximately 35% of the net proceeds or approximately HK\$116.70 million will be used to build new materials (including, among others, UHPC and relevant products, high-durability prestressed concrete cylinder pipe (高耐久預應力鋼筒混凝土管), smart concrete, high-durability high-performance concrete, environmental-friendly concrete and fabricated light-weighted high-strength concrete wallboard (装配式輕質高強混凝土牆板) (the “**New Materials**”)) production bases and project batching plants. We are currently focusing on the development of UHPC and relevant products, high-performance concrete green low-carbon integration technology (高性能混凝土綠色低碳一體化技術) and a series of products in relation to high-performance concrete. We plan to continue concentrating on the technical research and development of UHPC and its relevant products. We plan to continue developing green and low-carbon integration technology in high-performance concrete, which, in our opinion, is expected to achieve the goal of energy saving, emission reduction and development of low-carbon economy. In the meantime, we plan to develop the technology for complex utilization of recycled solid waste with a special focus on the disposal and reuse of construction waste, tailings and industrial solid waste. In particular, after taking comprehensive consideration of the economic development and future infrastructure construction plans of the prefectures and cities in Yunnan Province, we plan to build development center for UHPC and related products and production bases for New Materials of recycled solid waste in Kunming area, as well as production bases for green and environmentally friendly New Materials in Zhaotong and Yuxi. As of the Latest Practicable Date, we had identified two pieces of target land for the production bases of green and environmentally friendly New Material in Zhaotong and Yuxi, and had obtained the land use right for the target land in Yuxi and were in the process to obtain the land use rights for the target land in Zhaotong. We plan to use approximately HK\$116.70 million of the net proceeds of the Global Offering to fund the capital expenditure of the plans. The details of our plan are set out as follows:



## FUTURE PLANS AND USE OF PROCEEDS

- (i) approximately HK\$43.95 million of the net proceeds will be used for building the development center for UHPC and related products and the production bases for New Materials of recycled solid waste in Kunming area:

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
				2019 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>
99.67	55.72	43.95	Approximately HK\$18.84 million for land acquisition	5.38	13.45	–
			Approximately HK\$25.11 million for equipment, construction and installation	–	23.31	1.80

## FUTURE PLANS AND USE OF PROCEEDS

- (ii) approximately HK\$40.63 million of the net proceeds will be used in building the production base for green and environmentally-friendly New Materials in Zhaotong:

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
				2019 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>
99.67	59.04	40.63	Approximately HK\$14.35 million for land acquisition	14.35	-	-
			Approximately HK\$26.28 million for equipment, construction and installation	-	26.28	-

## FUTURE PLANS AND USE OF PROCEEDS

(iii) approximately HK\$13.82 million of the net proceeds will be used in building the production base for green and environmentally friendly New Materials in Yuxi:

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
				2019	2020	2021
<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>		<i>(HK\$ million)</i>	<i>(HK\$ million)</i>	<i>(HK\$ million)</i>
25.80	11.99	13.82	Approximately HK\$4.85 million for land acquisition	4.85	-	-
			Approximately HK\$8.97 million for equipment, construction and installation	8.97	-	-

## FUTURE PLANS AND USE OF PROCEEDS

(iv) approximately HK\$18.30 million of the net proceeds will be used in building new highway project batching plants along the route of highway to be invested to construct so as to meet the needs of highway construction projects. As such, we are able to participate in more construction projects and ensure the production and sale of our products. We will recruit production and management personnel for batching plants through a combination of internal training and reallocation and external recruitment, and establish and improve various operation and management procedures for batching plants, so as to further strengthen our leading position in the concrete market in Yunnan Province. We plan to secure highway construction projects and construct our batching plants along the route of such highways projects. Subject to the size of the projects, we estimate each highway construction project may generally require the construction of five to ten project batching plants along its route. As of the Latest Practicable Date, we were in the stage of preparation (including conducting preliminary research and/or preparing for the documentation for tendering and bidding) for several highway construction projects. Assuming we are able to secure any two projects, we expect to construct 10 or 11 batching plants in total for the projects:

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
				2019 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>
93.81	75.51	18.30	Approximately HK\$8.32 million for constructing five project batching plants for the first project	8.32	-	-
			Approximately HK\$9.98 million for constructing six project batching plants for the second project	-	9.98	-

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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately 20% of the net proceeds or approximately HK\$66.68 million will be used to improve, integrate and expand our existing concrete production lines. In particular, we plan to carry out green, environmental and intelligent upgrades for our existing regional batching plants in Kunming (five batching plants), Zhaotong (one batching plant), Chuxiong (one batching plant), Baoshan (one batching plant), Yuxi (one batching plant) and Qujing (one batching plant) so as to enhance the level of green development and environmental protection as well as the capability of lean management. In particular, our green and environmental upgrades include, among other things, construction and application of waste concrete and waste seriflux recycling system, installation of spray dust reduction system in raw material plants and batching plants, installation of automatic car washing machines, complete closure of aggregates conveying system and installation of low-pressure powder material conveying system. Our intelligent upgrades include, among other things, use of the ERP production management system, development of an online production pre-warning system, upgrade of the ERP business-finance integration information system and installation of an unattended weighing system. We also plan to enhance our competitive strength through upgrading and reformation, trainings to our professional technical personnel and management personnel, improve our system, and optimize our processes. We plan to use approximately HK\$66.68 million of the net proceeds of the Global Offering to fund the capital expenditure of the plans.

## FUTURE PLANS AND USE OF PROCEEDS

The details of our plans are set out as follows:

Region	Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
					Year ending December 31,		
					2019	2020	2021
	(HK\$ million)	(HK\$ million)	(HK\$ million)		(HK\$ million)	(HK\$ million)	(HK\$ million)
Kunming (five batching plants to be upgraded)	53.92	20.58	33.34	Approximately HK\$14.58 million for the green and environmental upgrade	5.83	8.75	-
Zhaotong (one batching plant to be upgraded)	11.72	5.05	6.67	Approximately HK\$18.76 million for the intelligent upgrade	7.50	11.26	-
				Approximately HK\$2.92 million for the green and environmental upgrade	2.92	-	-
				Approximately HK\$3.75 million for the intelligent upgrade	-	3.75	-

## FUTURE PLANS AND USE OF PROCEEDS

Region	Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
					2019	2020	2021
	(HK\$ million)	(HK\$ million)	(HK\$ million)		(HK\$ million)	(HK\$ million)	(HK\$ million)
Chuxiong (one batching plant to be upgraded)	11.72	5.05	6.67	Approximately HK\$2.92 million for the green and environmental upgrade	2.92	-	-
Baoshan (one batching plant to be upgraded)	11.72	5.05	6.67	Approximately HK\$3.75 million for the intelligent upgrade	-	3.75	-
				Approximately HK\$2.92 million for the green and environmental upgrade	2.92	-	-
				Approximately HK\$3.75 million for the intelligent upgrade	-	3.75	-

## FUTURE PLANS AND USE OF PROCEEDS

Region	Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
					2019 (HK\$ million)	2020 (HK\$ million)	2021 (HK\$ million)
Yuxi (one batching plant to be upgraded)	11.72	5.05	6.67	Approximately HK\$2.92 million for the green and environmental upgrade	-	2.92	-
Qujing (one batching plant to be upgraded)	11.72	5.05	6.67	Approximately HK\$3.75 million for the intelligent upgrade	-	3.75	-
				Approximately HK\$2.92 million for the green and environmental upgrade	-	2.92	-
				Approximately HK\$3.75 million for the intelligent upgrade	-	3.75	-



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## FUTURE PLANS AND USE OF PROCEEDS

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- Approximately 35% of the net proceeds or approximately HK\$116.70 million will be used to integrate upstream raw material resources to further consolidate our industry chain of concrete production. According to the CIC Report, the stable development of the construction industry of Yunnan Province has promoted the stable growth of the production volume of aggregates in Yunnan Province, which increased from 717.4 million tonnes in 2013 to 823.8 million tonnes in 2018, and is expected to further increase to 881.2 million tonnes in 2023. Currently, the aggregates industry in Yunnan Province is relatively fragmented. In 2018, there was approximately 800 aggregates producers all around Yunnan Province, among which small aggregates enterprises with annual production volumes lower than one million tonnes accounted for more than 80%. We plan to participate in aggregates mine exploitation projects around Zhaotong, Kunming and Yuxi. In particular, we plan to obtain the mining concessions of aggregates with substantial reserves, long mining life and good quality aggregates through public bidding, and acquiring aggregates production enterprises that already have high-quality mine resources, sound management, good financial condition, relevant aggregates mining and production qualifications, and good expected future earnings. Pursuant to the relevant PRC laws and regulations including the Mineral Resources Law of the People's Republic of China (《中華人民共和國礦產資源法》), the Implementing Measures for the Work Safety License of Non-coal Mining Enterprises (《非煤礦山企業安全生產許可證實施辦法》) and the Procedures for Administration of Registration of Mining of Mineral Resources in Yunnan Province (《雲南省礦產資源開採登記管理辦法》), a mining concession and a safe production permit are required for aggregates mining activities. Upon successfully obtaining mining concessions of aggregates mines or acquisition of aggregates production enterprises, we also plan to invest in purchasing new production equipment, recruiting suitable production and management personnel, formulating production systems, and integrating resources after mergers and acquisitions so as to realize the consolidation of upstream raw material supply. Before the mining concession of the Baizhiyuan Limestone Mine (柏枝園石灰岩礦) it operated in Wuhua District (五華區), Kunming, expired in April 2012, our Aggregate Company had been carried out mining operation for approximately 11 years; and it continued its aggregates production operations afterwards under cooperation with other aggregate mine operators and in some cases, leveraging its experience in aggregates mining, also provided management services to the aggregates suppliers. As of the Latest Practicable Date, our Aggregate Company had approximately 20 years of experience in aggregates production. We have a group of 16 technical staff who have experience in aggregates production, quality control and/or safety management. Among these technical staff, one is senior engineer, five are engineers, eight are assistant engineers; and two have experience in aggregates mining in addition to aggregates production. We plan to use approximately HK\$116.70 million of the net proceeds of the Global Offering to fund the capital expenditure of the plans.

## FUTURE PLANS AND USE OF PROCEEDS

The details of our plans are set out as follows:

- (i) approximately HK\$70.95 million of the net proceeds will be used for obtaining mining concessions for aggregates mines through public bidding and construction of production bases. We target to acquire aggregates concession for one or two mines with a total reserve of approximately 50 million tonnes. As of the Latest Practicable Date, we had conducted feasibility studies on several target aggregates mines located near Kunming and Zhaotong and intended to participate the public bidding for the mining concession of some of the target aggregates mines.

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering		
				2019 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>	2021 <i>(HK\$ million)</i>
140.72	69.77	70.95	Approximately HK\$40.36 million for obtaining concessions	-	40.36	-
			Approximately HK\$4.48 million for land acquisition of production bases	-	4.48	-
			Approximately HK\$26.10 million for purchase of equipment, construction of production base and installation of equipment	-	15.25	10.85

## FUTURE PLANS AND USE OF PROCEEDS

(ii) approximately HK\$45.75 million of the net proceeds will be used for acquiring aggregates production enterprises and reconstruction and expansion of production bases. We target to acquire two aggregates production enterprises that shall (a) possess abundant and high-quality mine resources; the total reserve of each target shall be no less than 10 million tonnes; (b) possess the requisite production permits, licenses and qualifications; (c) have a sound and qualified management team; (d) be in healthy financial conditions with good expected future earnings; and (e) comply with the relevant PRC laws and regulations with respect to its historic and on-going mining operations and production activities.

Total Investment Cost	Funds Generated from Business Operation and Other Financial Resources	Proceeds from Global Offering	Details of Plan for Utilization of Proceeds from Global Offering	Timeline for use of Proceeds from Global Offering	
				2019 <i>(HK\$ million)</i>	2020 <i>(HK\$ million)</i>
93.81	48.06 <i>(HK\$ million)</i>	45.75 <i>(HK\$ million)</i>	Approximately HK\$32.74 million for acquiring aggregates production enterprises	-	32.74
			Approximately HK\$13.01 million for reconstruction and expansion of production bases	-	11.21
					1.80

- Approximately 10% of the net proceeds or approximately HK\$33.34 million will be used for working capital and general corporate purposes.

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## FUTURE PLANS AND USE OF PROCEEDS

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The applications of the net proceeds as stated above are only current estimates and are subject to changes based on prevailing economic, market and business conditions. The above allocation of the proceeds will be adjusted on a pro rata basis in the event that the Offer Price is fixed at a higher or lower level compared to the mid-point of the estimated Offer Price range or in the event that the Over-allotment Option is exercised.

In the event that the Offer Price is set at the high end of the proposed Offer Price range, being HK\$3.51 per H Share, we estimate that our Company will receive net proceeds of approximately HK\$383.63 million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

In the event that the Offer Price is set at the low end of the proposed Offer Price range, being HK\$2.76 per H Share, we estimate that our Company will receive net proceeds of approximately HK\$283.22 million, after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering (assuming the Over-allotment Option is not exercised).

In the event the Over-allotment Option is exercised in full, we will receive net proceeds ranging from approximately HK\$338.64 million (assuming an Offer Price of HK\$2.76 per H Share, being the low end of the proposed Offer Price range) to HK\$454.12 million (assuming an Offer Price of HK\$3.51 per H Share, being the high end of the proposed Offer Price range), after deducting underwriting fees and commission and other estimated expenses paid and payable by our Company in connection with the Global Offering.

To the extent that the above net proceeds of the Global Offering are not immediately applied to the above purposes, we intend to deposit the proceeds in interest-bearing accounts with licensed commercial banks or financial institutions in the PRC or Hong Kong. We expect to utilize net proceeds receivable by our Company from the Global Offering to finance the above purposes. However, to the extent that such net proceeds are unable to fully finance the above purposes, we will use our internal working capital.

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## UNDERWRITING

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### HONG KONG UNDERWRITER

China International Capital Corporation Hong Kong Securities Limited

### UNDERWRITING ARRANGEMENTS AND EXPENSES

#### Hong Kong Public Offering

##### *Hong Kong Underwriting Agreement*

Pursuant to the Hong Kong Underwriting Agreement, we are offering the Hong Kong Offer Shares for subscription by the public in Hong Kong at the Offer Price on and subject to the terms and conditions of this prospectus and the Application Forms.

Subject, among other conditions, to the Listing Committee granting listing of, and permission to deal in, the H Shares to be offered pursuant to the Global Offering as mentioned herein (including any additional H Shares which may be issued pursuant to the exercise of the Over-allotment Option) and to certain other conditions set out in the Hong Kong Underwriting Agreement, the Hong Kong Underwriter has agreed to subscribe or procure subscribers for the Hong Kong Offer Shares which are now being offered but are not taken up under the Hong Kong Public Offering on the terms and subject to the conditions of this prospectus, the Application Forms and the Hong Kong Underwriting Agreement.

The Hong Kong Underwriting Agreement is conditional upon and subject to, among others, the International Underwriting Agreement having been signed and becoming unconditional and not having been terminated in accordance with its terms.

##### *Grounds for Termination*

The obligations of the Hong Kong Underwriter to subscribe or procure subscribers for the Hong Kong Offer Shares under the Hong Kong Underwriting Agreement are subject to termination, if, at any time prior to 8:00 a.m. on the Listing Date:

- (1) there shall develop, occur, exist or come into force:
  - (a) any new law or any change or development involving a prospective change in existing law, or any change or development involving a prospective change in the interpretation or application thereof by any court or other competent authority in or affecting Hong Kong, the PRC, Singapore, the United States, the United Kingdom, the European Union (or any member thereof) or Japan (each a “**Relevant Jurisdiction**”); or

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## UNDERWRITING

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- (b) any change or development involving a prospective change or development, or any event or series of events likely to result in or representing a change or development, or prospective change or development, in local, national, regional or international financial, political, military, industrial, economic, currency market, fiscal or regulatory or market conditions or any monetary or trading settlement system (including, without limitation, conditions in stock and bond markets, money and foreign exchange markets and inter-bank markets) in or affecting any Relevant Jurisdiction; or
  
- (c) any local, national, regional or international event or series of events in the nature of force majeure (including, without limitation, acts of government or orders of any courts, labor disputes, strikes, lock-outs, other industrial actions, fire, explosion, calamity, flooding, earthquake, tsunami, volcanic eruption, rebellion, civil commotion, riots, crisis, public disorder, acts of war, outbreak or escalation of hostilities (whether or not war is declared), acts of terrorism (whether or not responsibility has been claimed), declaration of a regional, national or international emergency, economic sanctions, political change, general failure of electricity or other supply, technical failure, accidental or mechanical or electrical breakdown, paralysis in government operations, acts of God, accident, interruption or delay in transportation, outbreak of diseases, epidemics or pandemics including, but not limited to, SARS, swine or avian flu, H5N1, H1N1, H1N7, H7N9 and such related/mutated forms) in or directly or indirectly affecting any Relevant Jurisdiction; or
  
- (d) the imposition of economic sanctions, or the withdrawal of trading privileges, in whatever form, directly or indirectly, by, or for, or affecting any of the Relevant Jurisdictions; or
  
- (e) any moratorium, suspension or restriction (including, without limitation, any imposition of or requirement for any minimum or maximum price limit or price range) in or on trading securities generally on the Hong Kong Stock Exchange, the New York Stock Exchange, the NASDAQ Global Market, the London Stock Exchange, the Singapore Stock Exchange, the Shanghai Stock Exchange, the Shenzhen Stock Exchange or the Tokyo Stock Exchange; or
  
- (f) any general moratorium on commercial banking activities in or affecting any Relevant Jurisdiction, or any disruption in commercial banking or foreign exchange trading or securities settlement or clearance services, procedures or matters in or affecting any Relevant Jurisdiction; or

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## UNDERWRITING

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- (g) any change or development involving a prospective change in or affecting taxation, exchange controls, currency exchange rates or foreign investment regulations (including, without limitation, a material devaluation of the Hong Kong dollar or the Renminbi against any foreign currencies, and a change in the system under which the value of the Hong Kong dollar is linked to that of the United States dollar or Renminbi is linked to any foreign currency or currencies), or the implementation of any exchange control, in any Relevant Jurisdiction affecting an investment in the Offer Shares; or
- (h) non-compliance of this prospectus (or any other documents used in connection with the contemplated offer and sale of the H Shares) or any aspect of the Global Offering with the Hong Kong Listing Rules or any other applicable laws; or
- (i) other than with the prior written consent of the Sole Sponsor and the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter), the issue or requirement to issue by our Company of any supplement or amendment to this prospectus, the Application Forms, the preliminary offering circular or the final offering circular or other documents in connection with the offer and sale of the H Shares pursuant to the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance or the Hong Kong Listing Rules or any requirement or request of the Hong Kong Stock Exchange and/or the SFC; or
- (j) any litigation, dispute, legal action or claim of any third party being threatened or instigated against any member of our Group or any of the Controlling Shareholders or any director, supervisor or member of the senior management of our Company; or
- (k) any contravention by any member of our Group or any Director and Supervisor of the Companies Ordinance, the Companies (Winding up and Miscellaneous Provisions) Ordinance, the Securities and Futures Ordinance, the PRC Company Law, the Hong Kong Listing Rules or any other applicable laws; or
- (l) any breach or alleged breach of any cornerstone investment agreement by the parties thereto (except for the Sole Sponsor, the Sole Global Coordinator or any member of the International Underwriter(s)), any breach or alleged breach of applicable laws by or on behalf of any cornerstone investor in respect of the Global Offering or any termination of any cornerstone investment agreement; or
- (m) an authority or a regulatory body or organization in any Relevant Jurisdiction commencing any investigation or other action, or announcing an intention to investigate or take other action, against any member of our Group, any Controlling Shareholder, Director, Supervisor or senior management of our Company; or

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## UNDERWRITING

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- (n) any Director or any member of the senior management of our Company vacating his or her office, or any Director, any Supervisor or any number of the senior management of the Company being charged with an indictable offense or prohibited by operation of laws or otherwise disqualified from taking part in the management of a company; or
- (o) an order or petition for the winding-up of any member of our Group or any composition or arrangement made by any member of the Group with its creditors or a scheme of arrangement entered into by any member of our Group or any resolution for the winding-up of any member of our Group or the appointment of a provisional liquidator, receiver or manager over all or part of the material assets or undertaking of any member of our Group or anything analogous thereto occurring in respect of any member of our Group; or
- (p) the materialisation of any of the risks set out in the section of each of this prospectus, the preliminary offering circular and the post hearing information pack captioned “Risk Factors”; or
- (q) a prohibition on our Company from offering, allotting, issuing or selling any of the Offer Shares pursuant to the terms of the Global Offering; or
- (r) a valid demand by any creditor for repayment or payment of any indebtedness of any member of our Group or in respect of which any member of our Group is liable prior to its stated maturity; or
- (s) any adverse change, or any development involving a prospective adverse change, in the assets, liabilities, general affairs, business, management, prospects, shareholders’ equity, profits, losses, properties, results of operations, position or condition (financial, trading or otherwise), earnings or expenses, liquidity, capital expenses, capital resources or performance of our Controlling Shareholders,

which, individually or in the aggregate, in the sole opinion of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and the Sole Sponsor: (A) has or will have or may have a material adverse effect on the assets, liabilities, business, general affairs, management, prospects, shareholder’s equity, profit, losses, results of operations, position or condition, financial or otherwise, or performance of our Company and our Group as a whole; or (B) has or will have or may have a material adverse effect on the success of the Global Offering or the level of applications under the Hong Kong Public Offering or the level of interest under the International Offering; or (C) makes or will make or may make it inadvisable or inexpedient or impracticable for any part of the Hong Kong Public Offering and/or the International Offering to proceed or to market the Global Offering or delivery of the Offer Shares on the terms and in the manner contemplated by the Offering Documents (as defined in the Hong Kong Underwriting Agreement); or (D) has or will have or may have the effect of making any material part of the Hong Kong Underwriting Agreement (including underwriting) incapable of performance in accordance with its terms or preventing or materially delaying the processing of applications and/or payments pursuant to the Global Offering or pursuant to the underwriting thereof; or



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## UNDERWRITING

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- (2) there has come to the notice of the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager or the Hong Kong Underwriter:
- (a) that any statement contained in any of the Hong Kong Public Offering Documents (as defined in the Hong Kong Underwriting Agreement) or in any notices, announcements, advertisements, communications or other documents issued or used by or on behalf of our Company in connection with the Hong Kong Public Offering (including any supplement or amendment thereto) (the “**Offer-Related Documents**”) was, when it was issued, or has become untrue, incorrect, inaccurate or incomplete in any material respects, or misleading or deceptive, or that any forecast, estimate, expression of opinion, intention or expectation contained in any of such documents is not fair and honest and made on reasonable grounds or, where appropriate, based on reasonable assumptions; or
  - (b) that any matter has arisen or has been discovered which would, had it arisen or been discovered immediately before the date of this prospectus, constitute a material omission from, or misstatement in, any of the Offer-Related Documents; or
  - (c) any material breach of any of the obligations, undertakings or provisions of the Hong Kong Underwriting Agreement or the International Underwriting Agreement by our Company; or
  - (d) any event, act or omission which gives or is likely to give rise to any liability of our Company pursuant to the indemnities given by our Company under the Hong Kong Underwriting Agreement; or
  - (e) any material adverse change, or any development involving a prospective adverse material change, in or affecting the assets, liabilities, business, general affairs, management, prospects, shareholder’s equity, profits, losses, results of operations, position or condition (financial, trading or otherwise), or performance of our Group taken as a whole; or
  - (f) any breach of, or any event or circumstance rendering untrue, incorrect or incomplete in any material respect or misleading, any of the representations, warranties, agreements and undertakings of our Company; or
  - (g) approval by the Listing Committee of the listing of, and permission to deal in, the H Shares to be issued (including any additional H Shares that may be issued pursuant to the exercise of the Over-allotment Option) under the Global Offering is refused or not granted on or before the Listing Date, or if granted, the approval is subsequently withdrawn, qualified (other than by customary conditions) or withheld; or
  - (h) our Company withdraws this prospectus, the Application Forms, the formal notice and/or any other documents issued or used in connection with the Global Offering; or

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## UNDERWRITING

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- (i) any person has withdrawn or withheld its consent to the issue of any of the Hong Kong Public Offering Documents with the inclusion of its reports, letters and/or legal opinions (as the case may be) and references to its name included in the form and context in which it respectively appears.

### **Undertakings to the Hong Kong Stock Exchange pursuant to the Hong Kong Listing Rules**

#### *Undertakings by our Company*

Our Company has undertaken to the Hong Kong Stock Exchange that we will not issue any further Shares or securities convertible into our equity securities (whether or not of a class already listed) or enter into any agreement to such issue within six months from the Listing Date (whether or not such issue of Shares or our securities will be completed within six months from the commencement of dealing), except pursuant to the Global Offering (including the Over-allotment Option) or in certain circumstances prescribed by Rule 10.08 of the Hong Kong Listing Rules.

#### *Undertakings by our Controlling Shareholders*

Pursuant to Rule 10.07 of the Hong Kong Listing Rules, each of the Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and our Company that, except pursuant to the Global Offering, it will not and will procure that any other registered holder (if any) of the securities of our Company in which it has a beneficial interest will not, without the prior written consent of the Hong Kong Stock Exchange or unless in compliance with the requirements of the Hong Kong Listing Rules:

- (a) in the period commencing on the date by reference to which disclosure of its shareholding in our Company is made in this prospectus (“**Reference Date**”) and ending on the date which is six months from the Listing Date (“**Lock-up Period**”), dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the securities of our Company (“**Underlying Securities**”) in respect of which it is shown by this prospectus to be the beneficial owner; and
- (b) in the period of six months commencing on the date on which the Lock-up Period expires, dispose of, nor enter into any agreement to dispose of or otherwise create any options, rights, interests or encumbrances in respect of, any of the Underlying Securities if, immediately following such disposal or upon the exercise or enforcement of such options, rights, interests or encumbrances, it would then cease to be our Controlling Shareholder.

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## UNDERWRITING

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Further, each of our Controlling Shareholders has undertaken to the Hong Kong Stock Exchange and our Company in accordance with Note 3 of Rule 10.07(2) of the Hong Kong Listing Rules that within the period commencing on the Reference Date and ending on the date which is 12 months from the Listing Date, it will:

- (i) when it pledges or charges any securities of our Company beneficially owned by it in favor of any authorized institution (as defined in Banking Ordinance Chapter 155 of the Laws of Hong Kong) pursuant to Note (2) of Rule 10.07(2) of the Hong Kong Listing Rules, immediately inform our Company of such pledge or charge together with the number of securities so pledged or charged; and
- (ii) when it receives indications, either verbal or written, from the pledgee or chargee that any of the securities of our Company pledged or charged will be disposed of, immediately inform our Company of such indications.

Our Company will inform the Hong Kong Stock Exchange in writing as soon as we have been informed of the above matters (if any) by any of our Controlling Shareholders and disclose such matters by way of an announcement which is published in accordance with Rule 2.07C of the Hong Kong Listing Rules.

### **Undertakings by our Company pursuant to the Hong Kong Underwriting Agreement**

Pursuant to the Hong Kong Underwriting Agreement, except for the issue, offer and sale of the Offer Shares pursuant to the Global Offering (including pursuant to the Over-allotment Option), during the period commencing on the date of the Hong Kong Underwriting Agreement and ending on, and including, the date that is six months from the Listing Date (the “**First Six-Month Period**”), our Company has undertaken to each of the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriter and the Sole Sponsor not to, without the prior written consent of the Sole Global Coordinator (for itself and on behalf of the Hong Kong Underwriter) and the Sole Sponsor and unless in compliance with the requirements of the Hong Kong Listing Rules (and only after the consent of any relevant PRC authority (if so required) has been obtained):

- (a) allot, issue, sell, accept subscription for, offer to allot, issue or sell, contract or agree to allot, issue or sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to subscribe for or purchase, grant or purchase any option, warrant, contract or right to allot, issue or sell, or otherwise transfer or dispose of or create an encumbrance over, or agree to transfer or dispose of or create an encumbrance over, either directly or indirectly, conditionally or unconditionally, or repurchase, any legal or beneficial interest in any Shares or any other equity securities (including securities convertible into share capital) of our Company, as applicable, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase any Shares or other equity securities (including securities convertible into share capital) of our Company, or deposit any Shares or other equity securities (including securities convertible into share capital) of our Company, as applicable, with a depository in connection with the issue of depository receipts; or

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## UNDERWRITING

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- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership (legal or beneficial) of any Shares or other securities of our Company, or any interest in any of the foregoing (including, without limitation, any securities convertible into or exchangeable or exercisable for or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company or any interest in any of the foregoing); or
- (c) enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or agree to or announce any intention to effect any transaction specified in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the transactions specified in sub-paragraph (a), (b) or (c) above is to be settled by delivery of Shares or other equity securities of our Company, in cash or otherwise (whether or not the issue of such Shares or other shares or securities will be completed within the First Six-month Period). In the six-month period commencing on the date on which the First Six-month Period expires (the “**Second Six-month Period**”), our Company shall not carry out any transactions specified in sub-paragraph (a), (b) or (c) above or offer to or agree to or announce any intention to effect any transaction above which would cause our Controlling Shareholders to, directly or indirectly, cease to be the controlling shareholder of our Company. In the event that our Company carries out any transaction specified in sub-paragraph (a), (b) or (c) above or offers to or agrees to or announces any intention to effect any such transaction during the Second Six-month Period, our Company shall take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company.

### **Undertakings by our Controlling Shareholders**

Each of the Controlling Shareholders has undertaken to each of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the Underwriter(s) that, without the prior written consent of the Sole Global Coordinator (on behalf of the Underwriter(s)) and unless in compliance with the requirements of the Hong Kong Listing Rules:

- (i) during the First Six-month Period, it shall not, and shall procure that the relevant registered holder(s) and its associates, companies controlled by it and any nominee or trustee holding in trust for it (together the “**Controlled Entities**”) shall not:
  - (a) offer, pledge, charge, sell, contract or agree to sell, assign, mortgage, charge, pledge, hypothecate, lend, grant or sell any option, warrant, contract or right to purchase, grant or purchase any option, warrant, contract or right to sell, grant or agree to grant any option, right or warrant to purchase or subscribe for, lend or otherwise transfer or dispose of or create any other encumbrance over, or agree to transfer or dispose of or create any encumbrance over, either

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## UNDERWRITING

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directly or indirectly, conditionally or unconditionally, any Shares or other securities of our Company or any interest in any of the foregoing (including, but not limited to, any securities that are convertible into or exchangeable or exercisable for, or that represent the right to receive, or any warrants or other rights to purchase, any Shares or other securities of our Company beneficially owned by it directly or indirectly through its Controlled Entities as of the Listing Date) (the “**Locked-up Securities**”); or

- (b) enter into any swap or other arrangement that transfers to another, in whole or in part, any of the economic consequences of ownership of any Locked-up Securities; or
- (c) conditionally or unconditionally enter into any transaction with the same economic effect as any transaction described in sub-paragraph (a) or (b) above; or
- (d) offer to or contract to or agree to or announce any intention to enter into any transaction described in sub-paragraph (a), (b) or (c) above,

in each case, whether any of the transactions described in sub-paragraph (a), (b) or (c) above is to be settled by delivery of such Shares or other securities of our Company or in cash or otherwise (whether or not the settlement or delivery of such Shares or other securities will be completed within the First Six-Month Period);

- (ii) during the Second Six-month Period, it shall not and shall procure that the Controlled Entities shall not enter into any of the transactions specified in sub-paragraph (a), (b) or (c) above or offer to or agree to or contract to or announce any intention to effect any such transaction if, immediately following any sale, transfer or disposal or upon the exercise or enforcement of any option, right, interest or encumbrance pursuant to such transaction such that it, directly or indirectly, will cease to be our Controlling Shareholder; and
- (iii) until the expiry of the Second Six-month Period, in the event that it or any of the Controlled Entities enters into any of the transactions specified in sub-paragraphs (a), (b) or (c) above or offers to or agrees to or contracts to, or announces any intention to enter into any such transaction, it will take all reasonable steps to ensure that it will not create a disorderly or false market in the securities of our Company and that all restrictions and requirements under the Hong Kong Listing Rules on the sale, transfer and disposal of the Locked-Up Securities are complied with by it and the Controlled Entities,

provided that nothing in this paragraph shall prevent it from using Shares or other securities of the Company beneficially owned by it as security (including a charge or a pledge) in favor of an authorized institution (as defined in the Banking Ordinance (Chapter 155 of the Laws of Hong Kong)) for a bona fide commercial loan in accordance with Note (2) to Rule 10.07 of the Hong Kong Listing Rules.

Each of the Controlling Shareholders has further undertaken to our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager and the

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## UNDERWRITING

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Underwriter(s) that, from the date of the Hong Kong Underwriting Agreement up to and including the expiry of the Second Six-month Period, it will:

- (a) when it pledges or charges any securities of our Company beneficially owned by it or interests therein, immediately inform our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) in writing of such pledge or charge together with the number and nature of securities so pledged or charged; and
- (b) if and when it receives indications, either verbal or written, from any pledgee or chargee that any of the pledged or charged securities of our Company will be sold, transfer or disposed of, immediately inform our Company and the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) in writing of the contents of such indications.

### **Hong Kong Underwriter's Interests in Our Company**

Except as disclosed in this prospectus and save for its obligations under the Hong Kong Underwriting Agreement and where applicable, the International Underwriting Agreement, the Hong Kong Underwriter does not have any shareholding interest in our Company nor any right or option (whether legally enforceable or not) to subscribe for or nominate persons to subscribe for securities in our Company.

Following the completion of the Global Offering, the Hong Kong Underwriter and its affiliated companies may hold a certain portion of the H Shares as a result of fulfilling their obligations under the Hong Kong Underwriting Agreement and/or the International Underwriting Agreement.

### **International Offering**

#### ***International Underwriting Agreement***

In connection with the International Offering, it is expected that we will enter into the International Underwriting Agreement with the International Underwriter(s). Under the International Underwriting Agreement, the International Underwriter(s) would, subject to certain conditions set out therein, agree to procure subscribers or purchasers for the International Offer Shares for, or failing which to subscribe for itself/themselves, its/their applicable proportions of the International Offer Shares being offered pursuant to the International Offering which are not taken up under the International Offering.

We will grant to the International Underwriter(s) the Over-allotment Option, exercisable by the Sole Global Coordinator (on behalf of the International Underwriter(s)), during the 30-day period after the last day for the lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 20,082,300 Offer Shares, representing 15% of the Offer Shares initially available under the Global Offering at the Offer Price to cover over-allocations in the International Offering, if any.

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## UNDERWRITING

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It is expected that the International Underwriting Agreement may be terminated on similar grounds as the Hong Kong Underwriting Agreement. Potential investors shall be reminded that in the event that the International Underwriting Agreement is not entered into, or is terminated, the Global Offering will not proceed.

### **Commission and Expenses**

According to the Hong Kong Underwriting Agreement, the Hong Kong Underwriter will receive an underwriting commission of 2% of the aggregate Offer Price in respect of all of the Hong Kong Offer Shares under the Hong Kong Public Offering (excluding such Offer Shares reallocated to and from the Hong Kong Public Offering pursuant to the Hong Kong Underwriting Agreement). In addition, we agree to pay an incentive fee equal to 3% of the aggregate Offer Price of all the Offer Shares whose subscription is procured by the Hong Kong Underwriter.

For unsubscribed Hong Kong Offer Shares reallocated to the International Offering, we will pay an underwriting commission at the rate applicable to the International Offering and such commission will be paid to the International Underwriter(s) (but not the Hong Kong Underwriter).

The aggregate commissions and fees, together with the listing fees, SFC transaction levy, the Hong Kong Stock Exchange trading fee, legal and other professional fees, printing and other expenses payable by us relating to the Global Offering are estimated to amount to approximately HK\$86.30 million in total (assuming an Offer Price of HK\$3.135 per Offer Share, which is the mid-point of our indicative price range for the Global Offering and assuming that the Over-allotment Option is not exercised).

### **Indemnity**

We have agreed to indemnify, among others, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Hong Kong Underwriter and each of them for certain losses which they may suffer, including, among other matters, losses arising from the performance of their obligations under the Hong Kong Underwriting Agreement and any breach on the part of our Company of the Hong Kong Underwriting Agreement.

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## UNDERWRITING

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### ACTIVITIES BY SYNDICATE MEMBERS

The underwriter(s) of the Hong Kong Public Offering and the International Offering (the “**Syndicate Members**”) and its/their affiliates may each individually undertake a variety of activities (as further described below) which do not form part of the underwriting or stabilizing process.

The Syndicate Members and their affiliates are diversified financial institutions with relationships in countries around the world. These entities engage in a wide range of commercial and investment banking, brokerage, funds management, trading, hedging, investing and other activities for their own account and for the account of others. In the ordinary course of their various business activities, the Syndicate Members and their respective affiliates may purchase, sell or hold a broad array of investments and actively trade securities, derivatives, loans, commodities, currencies, credit default swaps and other financial instruments for their own account and for the accounts of their customers. Such investment and trading activities may involve or relate to assets, securities and/or instruments of our Company and/or persons and entities with relationships with our Company and may also include swaps and other financial instruments entered into for hedging purposes in connection with our Company’s loans and other debt.

In relation to the H Shares, those activities could include providing financing to investors for the H Shares in their ordinary course of business, acting as agent for buyers and sellers of the H Shares, entering into transactions with those buyers and sellers in a principal capacity, including as a lender to initial purchases of the H Shares (where financing may be secured by the H Shares) in the Global Offering, proprietary trading in the H Shares, and entering into over the counter or listed derivative transactions or listed and unlisted securities transactions (including issuing securities such as derivative warrants listed on a stock exchange) which have as their or part of their underlying assets, including the H Shares. Those activities may require hedging activity by those entities involving, directly or indirectly, the buying and selling of the H Shares, which may have a negative impact on the trading price of the H Shares. All such activity could occur in Hong Kong and elsewhere in the world and may result in the Syndicate Members and their affiliates holding long and/or short positions in the H Shares, in baskets of securities or indices including the H Shares, in units of funds that may purchase the H Shares, or in derivatives related to any of the foregoing.

In relation to issues by Syndicate Members or their affiliates of any listed securities having the H Shares as their or part of their underlying securities, whether on the Hong Kong Stock Exchange or on any other stock exchange, the rules of the relevant stock exchange may require the issuer of those securities (or one of its affiliates or agents) to act as a market maker or liquidity provider in the security, and this will also result in hedging activity in the H Shares in most cases.



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## UNDERWRITING

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All such activities may occur both during and after the end of the stabilizing period described in the section headed “Structure of the Global Offering”. Such activities may affect the market price or value of the H Shares, the liquidity or trading volume in the H Shares and the volatility of the price of the H Shares, and the extent to which this occurs from day to day cannot be estimated.

It should be noted that when engaging in any of these activities, the Syndicate Members will be subject to certain restrictions, including the following:

- (a) the Syndicate Members (other than the Stabilizing Manager, its affiliates or any person acting for it) must not, in connection with the distribution of the Offer Shares, effect any transactions (including issuing or entering into any option or other derivative transactions relating to the Offer Shares), whether in the open market or otherwise, with a view to stabilizing or maintaining the market price of any of the Offer Shares at levels other than those which might otherwise prevail in the open market; and
- (b) the Syndicate Members must comply with all applicable laws and regulations, including the market misconduct provisions of the SFO, including the provisions prohibiting insider dealing, false trading, price rigging and stock market manipulation.

Certain of the Syndicate Members or their respective affiliates have provided from time to time, and expect to provide in the future, investment banking and other services to our Company and its affiliates for which such Syndicate Members or their respective affiliates have received or will receive customary fees and commissions.

### **INDEPENDENCE OF THE SOLE SPONSOR**

The Sole Sponsor satisfies the independence criteria applicable to a sponsor set out in Rule 3A.07 of the Hong Kong Listing Rules.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE GLOBAL OFFERING

This prospectus is published in connection with the Hong Kong Public Offering as part of the Global Offering. The Global Offering comprises:

- (i) the Hong Kong Public Offering of initially 13,390,000 H Shares (subject to adjustment as mentioned below) in Hong Kong as described in “– The Hong Kong Public Offering” below; and
- (ii) the International Offering of initially 120,492,000 H Shares (subject to adjustment and the Over-allotment Option as mentioned below) outside the United States (including to professional and institutional investors within Hong Kong) in offshore transactions in reliance on Regulation S.

Investors may apply for Offer Shares under the Hong Kong Public Offering or apply for or indicate an interest for Offer Shares under the International Offering, but may not do both.

The Offer Shares will represent approximately 30.00% of the enlarged issued share capital of our Company immediately after completion of the Global Offering without taking into account the exercise of the Over-allotment Option. If the Over-allotment Option is exercised in full, the Offer Shares will represent approximately 33.01% of the enlarged issued share capital of our Company immediately after completion of the Global Offering and the exercise of the Over-allotment Option as set out in the section headed “Over-allotment Option” below.

The number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering may be subject to reallocation as described in “– The Hong Kong Public Offering – Reallocation” below.

### THE HONG KONG PUBLIC OFFERING

#### Number of Offer Shares Initially Offered

Our Company is initially offering 13,390,000 Offer Shares for subscription by the public in Hong Kong at the Offer Price, representing approximately 10% of the total number of Offer Shares initially available under the Global Offering. Subject to the reallocation of Offer Shares between the International Offering and the Hong Kong Public Offering, the Hong Kong Offer Shares will represent approximately 3.00% of our Company’s enlarged issued share capital immediately after completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

The Hong Kong Public Offering is open to members of the public in Hong Kong as well as to institutional and professional investors. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Completion of the Hong Kong Public Offering is subject to the conditions as set out in “– Conditions of the Hong Kong Public Offering” below.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Allocation

Allocation of Offer Shares to investors under the Hong Kong Public Offering, both in relation to pool A and B, will be based solely on the level of valid applications received under the Hong Kong Public Offering. The basis of allocation in each pool may vary, depending on the number of Hong Kong Offer Shares validly applied for by applicants. Such allocation may, if necessary, be made on the basis of balloting, which would mean that some applicants may receive a higher allocation than others who have applied for the same number of Hong Kong Offer Shares, and those applicants who are not successful in the ballot may not receive any Hong Kong Offer Shares.

The total number of Hong Kong Offer Shares initially available under the Hong Kong Public Offering (after taking account of any reallocation referred to below) is to be divided into two pools for allocation purposes:

- 6,695,000 Hong Kong Offer Shares for pool A and 6,695,000 Hong Kong Offer Shares for pool B. The Hong Kong Offer Shares in pool A will be allocated on an equitable basis to successful applicants who have applied for Hong Kong Offer Shares with an aggregate price of HK\$5 million (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) or less.
- The Hong Kong Offer Shares in pool B will be allocated on an equitable basis to applicants who have applied for Hong Kong Offer Shares with an aggregate price of more than HK\$5 million (excluding the brokerage fee, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable) and up to the total value in pool B.

Investors should be aware that applications in pool A and applications in pool B may receive different allocation ratios. If Hong Kong Offer Shares in one (but not both) of the pools are undersubscribed, the surplus Hong Kong Offer Shares will be transferred to the other pool to satisfy demand in that other pool and be allocated accordingly. For the purpose of this paragraph only, the “price” for Offer Shares means the price payable on application therefor (without regard to the Offer Price as finally determined). Applicants can only receive an allocation of Hong Kong Offer Shares from either pool A or pool B but not from both pools and may only apply for Hong Kong Offer Shares in either pool A or pool B. In addition, multiple or suspected multiple applications and any application for more than 6,695,000 Hong Kong Offer Shares, being the maximum number of Hong Kong Offer Shares initially comprised in pool B in the Hong Kong Public Offering, are liable to be rejected.

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## STRUCTURE OF THE GLOBAL OFFERING

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### Reallocation

The allocation of Offer Shares between the Hong Kong Public Offering and the International Offering is subject to adjustment. Paragraph 4.2 of Practice Note 18 of the Hong Kong Listing Rules requires a clawback mechanism to be put in place, which would have the effect of increasing the number of the Hong Kong Offer Shares to certain percentages of the total number of Offer Shares offered in the Global Offering if certain prescribed total demand levels are reached as further described below:

- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 15 times or more but less than 50 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 40,166,000 Offer Shares, representing approximately 30% of the Offer Shares initially available under the Global Offering;
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 50 times or more but less than 100 times the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 53,554,000 Offer Shares, representing approximately 40% of the Offer Shares initially available under the Global Offering; and
- if the number of Offer Shares validly applied for under the Hong Kong Public Offering represents 100 times or more than the number of the Offer Shares initially available for subscription under the Hong Kong Public Offering, then Offer Shares will be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the Hong Kong Public Offering will be 66,942,000 Offer Shares, representing approximately 50% of the Offer Shares initially available under the Global Offering.

The Sole Global Coordinator may, at its discretion, reallocate Offer Shares initially allocated for the International Offering to the Hong Kong Public Offering to satisfy valid applications under the Hong Kong Public Offering in accordance with Guidance Letter HKEX-GL-91-18. In the event that (i) the International Offering is under-subscribed and the Hong Kong Public Offering is fully subscribed or over-subscribed irrespective of the number of times, or (ii) the International Offering is fully subscribed or over-subscribed and the Hong Kong Public Offering is fully subscribed or over-subscribed as to less than 15 times the number of Offer Shares initially available for subscription under the Hong Kong Public Offering provided that the Offer Price would be set at HK\$2.76 (low-end of the indicative Offer Price range), up to 13,390,000 Offer Shares may be reallocated to the Hong Kong Public Offering from the International Offering, so that the total number of the Offer Shares available under the

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## STRUCTURE OF THE GLOBAL OFFERING

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Hong Kong Public Offering will be increased to 26,780,000 Offer Shares, representing approximately 20% of the number of the Offer Shares initially available under the Global Offering (before any exercise of the Over-allotment Option).

In each case, the additional Offer Shares reallocated to the Hong Kong Public Offering will be allocated between pool A and pool B and the number of Offer Shares allocated to the International Offering will be correspondingly reduced in such manner and proportions as the Sole Global Coordinator deems appropriate.

If the Hong Kong Public Offering is not fully subscribed for, the Sole Global Coordinator has the authority to reallocate all or any unsubscribed Hong Kong Offer Shares to the International Offering, in such manner and proportions as the Sole Global Coordinator deems appropriate.

### **Applications**

Each applicant under the Hong Kong Public Offering will also be required to give an undertaking and confirmation in the application submitted by him, her or it that he, she or it, and any person(s) for whose benefit he, she or it is making the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering, and such applicant's application is liable to be rejected if the said undertaking and/or confirmation is breached and/or untrue (as the case may be) or the applicant (and any person for whose benefit he, she or it is making the application) has been or will be placed or allocated Offer Shares under the International Offering.

The listing of the H Shares on the Hong Kong Stock Exchange is sponsored by the Sole Sponsor. Applicants under the Hong Kong Public Offering are required to pay, on application, the maximum price of HK\$3.51 per Offer Share in addition to any brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee payable on each Hong Kong Offer Share. If the Offer Price, as finally determined in the manner described in the section headed “– Pricing of the Global Offering” below, is less than the maximum price of HK\$3.51 per Offer Share, appropriate refund payments (including the brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee attributable to the surplus application monies) will be made to successful applicants, without interest. Further details are set out in “How to Apply for the Hong Kong Offer Shares”.

References in this prospectus to applications, Application Forms, application monies or the procedure for application relate solely to the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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### THE INTERNATIONAL OFFERING

#### Number of Offer Shares Offered

Subject to reallocation as described above, the International Offering will consist of an aggregate of 120,492,000 Offer Shares, representing approximately 90% of the Offer Shares under the Global Offering and approximately 27.00% of our enlarged issued share capital immediately after the completion of the Global Offering, assuming that the Over-allotment Option is not exercised.

#### Allocation

The International Offering will include selective marketing of Offer Shares to institutional and professional investors and other investors anticipated to have a sizeable demand for such Offer Shares. Professional investors generally include brokers, dealers, companies (including fund managers) whose ordinary business involves dealing in shares and other securities and corporate entities which regularly invest in shares and other securities.

Allocation of Offer Shares pursuant to the International Offering will be effected in accordance with the “book-building” process described in the section headed “– Pricing of the Global Offering” below and based on a number of factors, including the level and timing of demand, the total size of the relevant investor’s invested assets or equity assets in the relevant sector and whether or not it is expected that the relevant investor is likely to hold or sell its Offer Shares, after the listing of the Offer Shares on the Hong Kong Stock Exchange. Such allocation is intended to result in a distribution of the Offer Shares on a basis which would lead to the establishment of a solid professional and institutional shareholder base to the benefit of our Company and our Shareholders as a whole.

The Sole Global Coordinator (on behalf of the Underwriter(s)) may require any investor who has been offered Offer Shares under the International Offering, and who has made an application under the Hong Kong Public Offering, to provide sufficient information to the Sole Global Coordinator so as to allow it to identify the relevant application under the Hong Kong Public Offering and to ensure that such investor is excluded from any application of Offer Shares under the Hong Kong Public Offering.

#### OVER-ALLOTMENT OPTION

In connection with the Global Offering, our Company is expected to grant an Over-allotment Option to the International Underwriter(s), exercisable by the Sole Global Coordinator (on behalf of the International Underwriter(s)).

Pursuant to the Over-allotment Option, the Sole Global Coordinator has the right, exercisable at any time from the date of the International Underwriting Agreement until 30 days after the last date for lodging of applications under the Hong Kong Public Offering, to require our Company to issue and allot up to an aggregate of 20,082,300 additional Offer Shares, representing 15% of the initial Offer Shares, at the same price per Offer Share under the International Offering to cover over-allocations in the International Offering, if any.

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## STRUCTURE OF THE GLOBAL OFFERING

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If the Over-allotment Option is exercised in full, the additional Offer Shares will represent approximately 4.31% of our Company's enlarged issued share capital immediately following the completion of the Global Offering and the exercise of the Over-allotment Option. In the event that the Over-allotment Option is exercised, an announcement will be made.

### STABILIZATION

Stabilization is a practice used by underwriters in some markets to facilitate the distribution of securities. To stabilize, the underwriters may bid for, or purchase, the new securities in the secondary market, during a specified period of time, to retard and, if possible, prevent any decline in the market price of the securities below the Offer Price. In Hong Kong and certain other jurisdictions, activity aimed at reducing the market price is prohibited and the price at which stabilization is effected is not permitted to exceed the Offer Price.

China International Capital Corporation Hong Kong Securities Limited has been appointed by us as the Stabilizing Manager for the purposes of the Global Offering in accordance with the Securities and Futures (Price Stabilizing) Rules made under the SFO. In connection with the Global Offering, the Stabilizing Manager, its affiliates or any person acting for it, on behalf of the Underwriter(s), may, to the extent permitted by applicable laws of Hong Kong or elsewhere, over-allocate or effect short sales or any other stabilizing transactions with a view to stabilizing or maintaining the market price of the H Shares at a level higher than that which might otherwise prevail in the open market. Short sales involve the sale by the Stabilizing Manager of a greater number of H Shares than the Underwriter(s) are required to purchase in the Global Offering. "Covered" short sales are sales made in an amount not greater than the Over-allotment Option.

The Stabilizing Manager may close out the covered short position by either exercising the Over-allotment Option to purchase additional H Shares or purchasing H Shares in the open market. In determining the source of the H Shares to close out the covered short position, the Stabilizing Manager will consider, among other things, the price of H Shares in the open market as compared to the price at which they may purchase additional H Shares pursuant to the Over-allotment Option. Stabilizing transactions consist of certain bids or purchases made for the purpose of preventing or retarding a decline in the market price of the H Shares while the Global Offering is in progress. Any market purchases of the H Shares may be effected on any stock exchange, including the Hong Kong Stock Exchange, any over-the-counter market or otherwise, provided that they are made in compliance with all applicable laws and regulatory requirements. However, there is no obligation on the Stabilizing Manager, its affiliates or any person acting for it to conduct any such stabilizing activity, which if commenced, will be done at the absolute discretion of the Stabilizing Manager, its affiliates or any person acting for it and may be discontinued at any time. Any such stabilizing activity is required to be brought to an end within 30 days after the last day for the lodging of applications under the Hong Kong Public Offering.

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## STRUCTURE OF THE GLOBAL OFFERING

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Stabilizing actions by the Stabilizing Manager, its affiliates or any person acting for it, will be entered into in accordance with the laws, rules and regulations in place in Hong Kong on stabilization. Stabilizing actions permitted pursuant to the Securities and Futures (Price Stabilizing) Rules under the SFO include:

- (a) over-allocation for the purpose of preventing or minimizing any reduction in the market price;
- (b) selling or agreeing to sell the H Shares so as to establish a short position in them for the purpose of preventing or minimizing any reduction in the market price;
- (c) subscribing, or agreeing to subscribe, for the H Shares pursuant to the Over-allotment Option in order to close out any position established under (a) or (b) above;
- (d) purchasing, or agreeing to purchase, the H Shares for the sole purpose of preventing or minimizing any reduction in the market price;
- (e) selling the H Shares to liquidate a long position held as a result of those purchases; and
- (f) offering or attempting to do anything described in (b), (c), (d) or (e) above.

Specifically, prospective applicants for and investors in the Offer Shares should note that:

- (a) the Stabilizing Manager, its affiliates or any person acting for it, may, in connection with the stabilizing action, maintain a long position in the H Shares;
- (b) the size of long position, and period for which the Stabilizing Manager, its affiliates or any person acting for it, will maintain such a long position, is at the discretion of the stabilizing manager and is uncertain;
- (c) liquidation of any such long position by the Stabilizing Manager may have an adverse impact on the market price of the H Shares;
- (d) stabilizing action by the Stabilizing Manager, its affiliates and persons acting for it cannot be taken to support the price of the H Shares for longer than the stabilizing period, which will begin on the Listing Date and is expected to expire on the 30th day after the last date for lodging applications under the Hong Kong Public Offering. After this date, which is expected to be Saturday, November 23, 2019 when no further stabilizing action may be taken, demand for the H Shares, and therefore the price of the H Shares, could fall;
- (e) the price of the H Shares cannot be assured to stay at or above the Offer Price either during or after the stabilizing period by the taking of any stabilizing action; and



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## STRUCTURE OF THE GLOBAL OFFERING

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- (f) stabilizing bids may be made or transactions effected in the course of the stabilizing action at any price at or below the Offer Price, which means that stabilizing bids may be made or transactions effected at a price below the price paid by applicants for, or investors in, the H Shares.

Our Company will procure that an announcement in compliance with the Securities and Futures (Price Stabilizing) Rules will be made within seven days of the expiration of the stabilizing period.

In connection with the Global Offering, the Stabilizing Manager may over-allocate up to and not more than an aggregate of 20,082,300 H Shares and cover such over-allocations by (amongst other methods) exercising the Over-allotment Option, making purchases in the secondary market at prices that do not exceed the Offer Price or by any combination of these means.

### PRICING OF THE GLOBAL OFFERING

The International Underwriter(s) will be soliciting from prospective investors indications of interest in acquiring Offer Shares in the International Offering. Prospective professional and institutional investors will be required to specify the number of Offer Shares under the International Offering they would be prepared to acquire either at different prices or at a particular price. This process, known as “book-building” is expected to continue up to, and to cease on or around, the last day for lodging applications under the Hong Kong Public Offering.

Pricing for the Offer Shares for the purpose of the various offerings under the Global Offering will be fixed on the Price Determination Date, which is expected to be on or around Thursday, October 24, 2019, and in any event on or before Wednesday, October 30, 2019, by agreement between the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company and the number of Offer Shares to be allocated under various offerings will be determined shortly thereafter.

The Offer Price will not be more than HK\$3.51 per Offer Share and is expected to be not less than HK\$2.76 per Offer Share unless otherwise announced, as further explained below, not later than the morning of the last day for lodging applications under the Hong Kong Public Offering. **Prospective investors should be aware that the Offer Price to be determined on the Price Determination Date may be, but is not expected to be, lower than the indicative Offer Price range stated in this prospectus.**

The Sole Global Coordinator, on behalf of the Underwriter(s), may, where considered appropriate, based on the level of interest expressed by prospective professional and institutional investors under the International Offering during the book-building process, and with the consent of our Company, reduce the number of Offer Shares being offered in the Global Offering and/or the indicative Offer Price range below that stated in this prospectus at any time on or prior to the morning of the last day for lodging applications under the Hong Kong Public Offering. In such a case, our Company will, as soon as practicable following the

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## STRUCTURE OF THE GLOBAL OFFERING

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decision to make such reduction, and in any event not later than the morning of the day which is the last day for lodging applications under the Hong Kong Public Offering, cause there to be published in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and our Company's website at [www.ynhnt.com](http://www.ynhnt.com) notice of the reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range. Upon issue of such a notice, the number of Offer Shares offered in the Global Offering and/or the revised Offer Price range will be final and conclusive and the Offer Price, if agreed upon by the Sole Global Coordinator (on behalf of the Underwriter(s)) and our Company, will be fixed within such revised Offer Price range. Our Company will, as soon as practicable following the decision to make such reduction, issue a supplemental prospectus updating investors of the change in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range, extend the period under which the Hong Kong Public Offer was opened for acceptance to allow potential investors sufficient time to consider their subscriptions or reconsider their submitted subscriptions, and give potential investors who had applied for the Hong Kong Offer Shares the right to withdraw their applications under the Hong Kong Public Offer. Such announcement and supplemental prospectus shall also include confirmation or revision, as appropriate, of the Global Offering statistics as currently set out in the section headed "Summary" and any other financial information which may change as a result of such reduction. Before submitting applications for the Hong Kong Offer Shares, applicants should have regard to the possibility that any announcement of a reduction in the number of Offer Shares being offered under the Global Offering and/or the indicative Offer Price range may not be made until the day which is the last day for lodging applications under the Hong Kong Public Offering. Such notice will also include confirmation or revision, as appropriate, of the working capital statement and the Global Offering statistics as currently set out in this prospectus, and any other financial information which may change as a result of such reduction. In the absence of any such notice so published, the Offer Price, if agreed upon with our Company and the Sole Global Coordinator, will under no circumstances be set outside the Offer Price range as stated in this prospectus.

In the event of a reduction in the number of Offer Shares being offered under the Global Offering, the Sole Global Coordinator may at its discretion reallocate the number of Offer Shares to be offered under the Hong Kong Public Offering and the International Offering, provided that the number of Offer Shares comprised in the Hong Kong Public Offering shall not be less than 10% of the total number of Offer Shares in the Global Offering. The Offer Shares to be offered in the International Offering and the Offer Shares to be offered in the Hong Kong Public Offering may, in certain circumstances, be reallocated as between these offerings at the discretion of the Sole Global Coordinator.

The net proceeds of the Global Offering accruing to our Company (after deduction of underwriting fees and other estimated expenses in relation to the Global Offering, assuming that the Over-allotment Option is not exercised) are estimated to be approximately HK\$283.22 million, assuming an Offer Price of HK\$2.76, or approximately HK\$383.63 million, assuming an Offer Price of HK\$3.51 (or if the Over-allotment Option is exercised in full, approximately HK\$338.64 million, assuming an Offer Price of HK\$2.76, or approximately HK\$454.12 million, assuming an Offer Price of HK\$3.51).

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## STRUCTURE OF THE GLOBAL OFFERING

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The Offer Price under the Global Offering is expected to be announced on Wednesday, October 30, 2019.

The indications of interest in the Global Offering, the results of applications and the basis of allocation of Offer Shares available under the Hong Kong Public Offering, are expected to be announced on Wednesday, October 30, 2019 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) and to be posted on the Hong Kong Stock Exchange's website at [www.hkexnews.hk](http://www.hkexnews.hk) and on our Company's website at [www.ynhnt.com](http://www.ynhnt.com).

### HONG KONG UNDERWRITING AGREEMENT

The Hong Kong Public Offering is fully underwritten by the Hong Kong Underwriter under the terms of the Hong Kong Underwriting Agreement, subject to agreement on the Offer Price between the Sole Global Coordinator (for itself and on behalf of the Underwriter(s)) and us on the Price Determination Date and is conditional upon the International Underwriting Agreement being signed and becoming unconditional.

Our Company expects enter into the International Underwriting Agreement relating to the International Offering on or around the Price Determination Date.

These underwriting arrangements, and the respective Underwriting Agreements, are summarized in the section headed "Underwriting".

### ADMISSION OF THE H SHARES TO CCASS

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and our Company complies with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares on the Hong Kong Stock Exchange or any other date HKSCC chooses. Settlement of transactions between participants of the Hong Kong Stock Exchange is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

### DEALING

Assuming that the Hong Kong Public Offering becomes unconditional at or before 8:00 a.m Thursday, October 31, 2019, it is expected that dealings in the H Shares on the Hong Kong Stock Exchange will commence at 9:00 a.m. on Thursday, October 31, 2019. Our H Shares will be traded in board lots of 1,000 H Shares each. The stock code of our H Shares is 1847.

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## STRUCTURE OF THE GLOBAL OFFERING

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### CONDITIONS OF THE HONG KONG PUBLIC OFFERING

Acceptance of all applications for Hong Kong Offer Shares pursuant to the Hong Kong Public Offering will be conditional on, among others:

- (a) the Listing Committee granting listing of, and permission to deal in, the H Shares, including the Offer Shares being offered pursuant to the Global Offering, and additional Offer Shares which may be made available pursuant to the exercise of the Over-allotment Option, and such listing and permission not subsequently having been revoked prior to the commencement of dealings in the H Shares on the Hong Kong Stock Exchange;
- (b) the Offer Price having been fixed on the Price Determination Date;
- (c) the execution and delivery of the International Underwriting Agreement on or around the Price Determination Date; and
- (d) the obligations of the Underwriter(s) under each of the respective Underwriting Agreements becoming and remaining unconditional and not having been terminated in accordance with the terms of the respective Underwriting Agreements,

in each case on or before the dates and times specified in the respective Underwriting Agreements (unless and to the extent such conditions are validly waived on or before such dates and times) and in any event not later than the 30th day after the date of this prospectus.

**If, for any reason, the Offer Price is not agreed between our Company and the Sole Global Coordinator (on behalf of the Underwriter(s)) on or before Wednesday, October 30, 2019, the Global Offering will not proceed and will lapse.**

The consummation of each of the Hong Kong Public Offering and the International Offering is conditional upon, among other things, the other offering becoming unconditional and not having been terminated in accordance with its terms.

If the above conditions are not fulfilled or waived prior to the times and dates specified, the Global Offering will lapse and the Hong Kong Stock Exchange will be notified immediately. Notice of the lapse of the Hong Kong Public Offering will be published by our Company in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on the next day following such lapse. In such eventuality, all application monies will be returned, without interest, on the terms set out in the section headed “How to Apply for the Hong Kong Offer Shares”. In the meantime, all application monies will be held in separate bank account(s) with the receiving bank or other licensed bank(s) in Hong Kong licensed under the Banking Ordinance (Chapter 155 of the Laws of Hong Kong).

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## STRUCTURE OF THE GLOBAL OFFERING

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Share certificates for the Offer Shares are expected to be issued on Wednesday, October 30, 2019 but will only become valid certificates of title at 8:00 a.m. on Thursday, October 31, 2019, provided that (i) the Global Offering has become unconditional in all respects; and (ii) neither of the Underwriting Agreements has been terminated in accordance with their terms. Investors who trade Offer Shares prior to the receipt of share certificate or prior to the share certificates becoming valid certificates of title do so entirely at their own risks.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 1. HOW TO APPLY

If you apply for Hong Kong Offer Shares, then you may not apply for or indicate an interest for the International Offer Shares.

To apply for Hong Kong Offer Shares, you may:

- use a **WHITE** or **YELLOW** Application Form;
- apply online via the **White Form eIPO** service at **www.eipo.com.hk**; or
- electronically cause HKSCC Nominees to apply on your behalf.

None of you or your joint applicant(s) may make more than one application, except where you are a nominee and provide the required information in your application.

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents may reject or accept any application in full or in part for any reason at their discretion.

### 2. WHO CAN APPLY

You can apply for Hong Kong Offer Shares on a **WHITE** or **YELLOW** Application Form if you or the person(s) for whose benefit you are applying:

- are 18 years of age or older;
- have a Hong Kong address;
- are outside the United States and are not a U.S. person (as defined in Regulation S) under the U.S. Securities Act); and
- are not a legal or natural person of the PRC.

If you apply online through the **White Form eIPO** Service Provider, in addition to the above, you must also:

- have a valid Hong Kong identity card number; and
- provide a valid e-mail address and a contact telephone number.

If you are a firm, the application must be in the individual members' names. If you are a body corporate, the Application Form must be signed by a duly authorized officer, who must state his representative capacity, and stamped with your corporation's chop.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If an application is made by a person under a power of attorney, the Sole Global Coordinator may accept such application at its discretion, and on any conditions it thinks fit, including evidence of the attorney's authority.

The number of joint applicants may not exceed four and they may not apply by means of the **White Form eIPO** service for the Hong Kong Offer Shares.

Unless permitted by the Hong Kong Listing Rules, you cannot apply for any Hong Kong Offer Shares if you are:

- an existing beneficial owner of any shares in our Company and/or any of its subsidiaries;
- a Director or chief executive officer of our Company and/or any of its subsidiaries;
- a connected person (as defined in the Hong Kong Listing Rules) of our Company or will become a connected person of our Company immediately upon completion of the Global Offering;
- an associate (as defined in the Hong Kong Listing Rules) of any of the above; or
- have been allocated or have applied for any International Offer Shares or otherwise participate in the International Offering.

### 3. APPLYING FOR HONG KONG OFFER SHARES

#### Which Application Channel to Use

For Hong Kong Offer Shares to be issued in your own name, use a **WHITE** Application Form or apply online through **www.eipo.com.hk**.

For Hong Kong Offer Shares to be issued in the name of HKSCC Nominees and deposited directly into CCASS to be credited to your or a designated CCASS Participant's stock account, use a **YELLOW** Application Form or electronically instruct HKSCC via CCASS to cause HKSCC Nominees to apply for you.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Where to Collect the Application Forms

You can collect a **WHITE** Application Form and a prospectus during normal business hours from 9:00 a.m. on Monday, October 21, 2019 until 12:00 noon on Thursday, October 24, 2019:

- (1) the following address of the Hong Kong Underwriter:

**China International Capital Corporation Hong Kong Securities Limited**

29th Floor, One International Finance Centre  
1 Harbour View Street  
Central  
Hong Kong

- (2) any of the following outlets of the receiving bank:

Bank of Communications Co., Ltd. Hong Kong Branch

<u>District</u>	<u>Outlet Name</u>	<u>Address</u>
<b>Hong Kong Island</b>	Taikoo Shing Sub-Branch	Shop 38, G/F., CityPlaza 2, 18 Taikoo Shing Road
<b>Kowloon</b>	Cheung Sha Wan Plaza Sub-Branch	Unit G04 on G/F., Cheung Sha Wan Plaza, 833 Cheung Sha Wan Road
	Lam Tin Sub-Branch	Shop No. 5 & 9, G/F., Kai Tin Towers, 51-67C Kai Tin Road, Lam Tin
<b>New Territories</b>	Fanling Sub-Branch	Shop No. 84A-84B, G/F., Flora Plaza, Fanling
	Tiu Keng Leng Sub-Branch	Shops Nos. L2-064 and L2-065, Level 2, Metro Town, Tiu Keng Leng



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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You can collect a **YELLOW** Application Form and a prospectus during normal business hours, from 9:00 a.m. on Monday, October 21, 2019 until 12:00 noon on Thursday, October 24, 2019 from:

- the Depository Counter of HKSCC at 1/F, One & Two Exchange Square, 8 Connaught Place, Central, Hong Kong; or
- your stockbroker.

### Time for Lodging Application Forms

Your completed **WHITE** or **YELLOW** Application Form, together with a cheque or a banker's cashier order attached and marked payable to "Bank of Communications (Nominee) Co. Ltd. – GHPC Public Offer" for the payment, should be deposited in the special collection boxes provided at any of the outlets of the receiving bank listed above, at the following times:

Monday, October 21, 2019 – 9:00 a.m. to 5:00 p.m.  
Tuesday, October 22, 2019 – 9:00 a.m. to 5:00 p.m.  
Wednesday, October 23, 2019 – 9:00 a.m. to 5:00 p.m.  
Thursday, October 24, 2019 – 9:00 a.m. to 12:00 noon

The application lists will be open from 11:45 a.m. to 12:00 noon on Thursday, October 24, 2019, the last application day or such later time as described in "10. Effect of Bad Weather on the Opening of the Application Lists" in this section.

#### 4. TERMS AND CONDITIONS OF AN APPLICATION

Follow the detailed instructions in the Application Form carefully; otherwise, your application may be rejected.

By submitting an Application Form or applying through the **White Form eIPO** service, among other things, you:

- (a) undertake to execute all relevant documents and instruct and authorize our Company and/or the Sole Global Coordinator (or its agents or nominees), as agents of our Company, to execute any documents for you and to do on your behalf all things necessary to register any Hong Kong Offer Shares allocated to you in your name or in the name of HKSCC Nominees as required by our Articles of Association;
- (b) agree to comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and the Articles of Association;
- (c) confirm that you have read the terms and conditions and application procedures set out in this prospectus and in the Application Form and agree to be bound by them;
- (d) confirm that you have received and read this prospectus and have only relied on the information and representations contained in this prospectus in making your application and will not rely on any other information or representations except those in any supplement to this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (e) confirm that you are aware of the restrictions on the Global Offering in this prospectus;
- (f) agree that none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering is or will be liable for any information and representations not in this prospectus (and any supplement to it);
- (g) undertake and confirm that you or the person(s) for whose benefit you have made the application have not applied for or taken up, or indicated an interest for, and will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering nor participated in the International Offering;
- (h) agree to disclose to our Company, our H Share Registrar, receiving bank, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s) and/or their respective advisors and agents any personal data which they may require about you and the person(s) for whose benefit you have made the application;
- (i) if the laws of any place outside Hong Kong apply to your application, agree and warrant that you have complied with all such laws and none of our Company, the Sole Global Coordinator, the Sole Sponsor, the Sole Bookrunner, the Sole Lead Manager, and the Underwriter(s) nor any of their respective officers or advisors will breach any law outside Hong Kong as a result of the acceptance of your offer to purchase, or any action arising from your rights and obligations under the terms and conditions contained in this prospectus and the Application Form;
- (j) agree that once your application has been accepted, you may not rescind it because of an innocent misrepresentation;
- (k) agree that your application will be governed by the laws of Hong Kong;
- (l) represent, warrant and undertake that (i) you understand that the Hong Kong Offer Shares have not been and will not be registered under the U.S. Securities Act; and (ii) you and any person for whose benefit you are applying for the Hong Kong Offer Shares are outside the United States (as defined in Regulation S) or are a person described in paragraph (h)(3) of Rule 902 of Regulation S;
- (m) warrant that the information you have provided is true and accurate;
- (n) agree to accept the Hong Kong Offer Shares applied for, or any lesser number allocated to you under the application;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- (o) authorize our Company to place your name(s) or the name of the HKSCC Nominees, on our Company's register of members as the holder(s) of any Hong Kong Offer Shares allocated to you, and our Company and/or its agents to send any share certificate(s) and/or any e-Refund payment instructions and/or any refund cheque(s) to you or the first-named applicant for joint application by ordinary post at your own risk to the address stated on the application, unless you fulfill the criteria mentioned in the section headed "Personal Collection" to collect share certificate(s) and/or refund cheque(s) in person;
- (p) declare and represent that this is the only application made and the only application intended by you to be made to benefit you or the person for whose benefit you are applying;
- (q) understand that our Company and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted for making a false declaration;
- (r) (if the application is made for your own benefit) warrant that no other application has been or will be made for your benefit on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider by you or by any one as your agent or by any other person; and
- (s) (if you are making the application as an agent for the benefit of another person) warrant that (i) no other application has been or will be made by you as agent for or for the benefit of that person or by that person or by any other person as agent for that person on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC; and (ii) you have due authority to sign the Application Form or give **electronic application instructions** on behalf of that other person as their agent.

### **Additional Instructions for YELLOW Application Form**

You may refer to the **YELLOW** Application Form for details.

## **5. APPLYING THROUGH WHITE FORM eIPO SERVICE**

### **General**

Individuals who meet the criteria in "2. Who can apply" in this section, may apply through the **White Form eIPO** service for the Offer Shares to be allotted and registered in their own names through the designated website at **www.eipo.com.hk**.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Detailed instructions for application through the **White Form eIPO** service are on the designated website. If you do not follow the instructions, your application may be rejected and may not be submitted to our Company. If you apply through the designated website, you authorize the **White Form eIPO** Service Provider to apply on the terms and conditions in this prospectus, as supplemented and amended by the terms and conditions of the **White Form eIPO** service.

### **Time for Submitting Applications under the White Form eIPO**

You may submit your application to the **White Form eIPO** Service Provider at **www.eipo.com.hk** (24 hours daily, except on the last application day) from 9:00 a.m. on Monday, October 21, 2019 until 11:30 a.m. on Thursday, October 24, 2019, and the latest time for completing full payment of application monies in respect of such applications will be 12:00 noon on Thursday, October 24, 2019 or such later time under “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### **No Multiple Applications**

If you apply by means of **White Form eIPO**, once you complete payment in respect of any **electronic application instruction** given by you or for your benefit through the **White Form eIPO** service to make an application for Hong Kong Offer Shares, an actual application shall be deemed to have been made. For the avoidance of doubt, giving an **electronic application instruction** under **White Form eIPO** more than once and obtaining different application reference numbers without effecting full payment in respect of a particular reference number will not constitute an actual application.

If you are suspected of submitting more than one application through the **White Form eIPO** service or by any other means, all of your applications are liable to be rejected.

### **Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each applicant who gives or causes to give **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### **Commitment to sustainability**

The obvious advantage of **White Form eIPO** is to save the use of paper via the self-serviced and electronic application process. Computershare Hong Kong Investor Services Limited, being the designated **White Form eIPO** Service Provider, will contribute HK\$2 for each “YCIH Green High-Performance Concrete Company Limited” **White Form eIPO** application submitted via **www.eipo.com.hk** to support sustainability.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### 6. APPLYING BY GIVING ELECTRONIC APPLICATION INSTRUCTIONS TO HKSCC VIA CCASS

#### General

CCASS Participants may give **electronic application instructions** to apply for the Hong Kong Offer Shares and to arrange payment of the money due on application and payment of refunds under their participant agreements with HKSCC and the General Rules of CCASS and the CCASS Operational Procedures.

If you are a CCASS Investor Participant, you may give these **electronic application instructions** through the CCASS Phone System by calling +852 2979 7888 or through the CCASS Internet System (<https://ip.ccass.com>) (using the procedures in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time).

HKSCC can also input **electronic application instructions** for you if you go to:

**Hong Kong Securities Clearing Company Limited**  
**Customer Service Center**  
1/F, One & Two Exchange Square  
8 Connaught Place, Central  
Hong Kong

and complete an input request form.

You can also collect a prospectus from this address.

If you are not a CCASS Investor Participant, you may instruct your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** via CCASS terminals to apply for the Hong Kong Offer Shares on your behalf.

You will be deemed to have authorized HKSCC and/or HKSCC Nominees to transfer the details of your application to our Company, the Sole Global Coordinator and our H Share Registrar.

#### Giving Electronic Application Instructions to HKSCC via CCASS

Where you have given **electronic application instructions** to apply for the Hong Kong Offer Shares and a **WHITE** Application Form is signed by HKSCC Nominees on your behalf:

- (a) HKSCC Nominees will only be acting as a nominee for you and is not liable for any breach of the terms and conditions of the **WHITE** Application Form or this prospectus;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(b) HKSCC Nominees will do the following things on your behalf:

- agree that the Hong Kong Offer Shares to be allotted shall be issued in the name of HKSCC Nominees and deposited directly into CCASS for the credit of the CCASS Participant's stock account on your behalf or your CCASS Investor Participant's stock account;
- agree to accept the Hong Kong Offer Shares applied for or any lesser number allocated;
- undertake and confirm that you have not applied for or taken up, will not apply for or take up, or indicate an interest for, any Offer Shares under the International Offering;
- (if the **electronic application instructions** are given for your benefit) declare that only one set of **electronic application instructions** has been given for your benefit;
- (if you are an agent for another person) declare that you have only given one set of **electronic application instructions** for the other person's benefit and are duly authorized to give those instructions as their agent;
- confirm that you understand that our Company, the Directors and the Sole Global Coordinator will rely on your declarations and representations in deciding whether or not to make any allotment of any of the Hong Kong Offer Shares to you and that you may be prosecuted if you make a false declaration;
- authorize our Company to place HKSCC Nominees' name on our Company's register of members as the holder of the Hong Kong Offer Shares allocated to you and to send share certificate(s) and/or refund monies under the arrangements separately agreed between us and HKSCC;
- confirm that you have read the terms and conditions and application procedures set out in this prospectus and agree to be bound by them;
- confirm that you have received and/or read a copy of this prospectus and have relied only on the information and representations in this prospectus in causing the application to be made save as set out in any supplement to this prospectus;
- agree that none of our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s), their respective directors, officers, employees, partners, agents, advisors and any other parties involved in the Global Offering, is or will be liable for any information and representations not contained in this prospectus (and any supplement to it);

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- agree to disclose your personal data to our Company, our H Share Registrar, receiving bank, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the Underwriter(s) and/or their respective advisors and agents;
- agree (without prejudice to any other rights which you may have) that once HKSCC Nominees' application has been accepted, it cannot be rescinded for innocent misrepresentation;
- agree that any application made by HKSCC Nominees on your behalf is irrevocable before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), such agreement to take effect as a collateral contract with us and to become binding when you give the instructions and such collateral contract to be in consideration of our Company agreeing that it will not offer any Hong Kong Offer Shares to any person before the fifth day after the time of the opening of the application lists (excluding any day which is Saturday, Sunday or public holiday in Hong Kong), except by means of one of the procedures referred to in this prospectus. However, HKSCC Nominees may revoke the application before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong) if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance gives a public notice under that section which excludes or limits that person's responsibility for this prospectus;
- agree that once HKSCC Nominees' application is accepted, neither that application nor your **electronic application instructions** can be revoked, and that acceptance of that application will be evidenced by our Company's announcement of the Hong Kong Public Offering results;
- agree to the arrangements, undertakings and warranties under the participant agreement between you and HKSCC, read with the General Rules of CCASS and the CCASS Operational Procedures, for the giving **electronic application instructions** to apply for Hong Kong Offer Shares;
- agree with our Company, for itself and for the benefit of each Shareholder (and so that our Company will be deemed by its acceptance in whole or in part of the application by HKSCC Nominees to have agreed, for itself and on behalf of each of the Shareholders, with each CCASS Participant giving **electronic application instructions**) to observe and comply with the Companies Ordinance, the Companies (Winding Up and Miscellaneous Provisions) Ordinance and our Articles of Association;
- agree with our Company, for itself and for the benefit of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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(and so that our Company will be deemed by its acceptance in whole or in part of this application to have agreed, for itself and on behalf of each Shareholder and each Director, Supervisor, manager and other senior officer of our Company, with each CCASS Participant giving **electronic application instructions**):

- (i) to refer all differences and claims arising from the Articles of Association or any rights or obligations conferred or imposed by other relevant laws and administrative regulations concerning the affairs of our Company to arbitration in accordance with our Articles of Association;
  - (ii) that any award made in such arbitration shall be final and conclusive; and
  - (iii) that the arbitration tribunal may conduct hearings in open sessions and publish its award;
- agree with our Company (for itself and for the benefit of each Shareholder) that H Shares are freely transferable by their holders;
  - authorize our Company to enter into a contract on its behalf with each Director, Supervisor and officer of our Bank whereby each such Director, Supervisor and officer undertakes to observe and comply with his obligations to shareholders stipulated in our Articles of Association; and
  - agree that your application, any acceptance of it and the resulting contract will be governed by the laws of Hong Kong.

### **Effect of Giving Electronic Application Instructions to HKSCC via CCASS**

By giving **electronic application instructions** to HKSCC or instructing your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give such instructions to HKSCC, you (and, if you are joint applicants, each of you jointly and severally) are deemed to have done the following things. Neither HKSCC nor HKSCC Nominees shall be liable to us or any other person in respect of the things mentioned below:

- instructed and authorized HKSCC to cause HKSCC Nominees (acting as nominee for the relevant CCASS Participants) to apply for the Hong Kong Offer Shares on your behalf;
- instructed and authorized HKSCC to arrange payment of the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee by debiting your designated bank account and, in the case of a wholly or partially unsuccessful application and/or if the Offer Price is less than the maximum Offer Price per Offer Share initially paid on application, refund of the application monies (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee) by crediting your designated bank account; and



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- instructed and authorized HKSCC to cause HKSCC Nominees to do on your behalf all the things stated in the **WHITE** Application Form and in this prospectus.

### Minimum Purchase Amount and Permitted Numbers

You may give or cause your broker or custodian who is a CCASS Clearing Participant or a CCASS Custodian Participant to give **electronic application instructions** for a minimum of 1,000 Hong Kong Offer Shares. Instructions for more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Forms. No application for any other number of Hong Kong Offer Shares will be considered and any such application is liable to be rejected.

### Time for Inputting Electronic Application Instructions

CCASS Clearing/Custodian Participants can input **electronic application instructions** at the following times on the following dates:<sup>(1)</sup>

Monday, October 21, 2019	–	9:00 a.m. to 8:30 p.m.
Tuesday, October 22, 2019	–	8:00 a.m. to 8:30 p.m.
Wednesday, October 23, 2019	–	8:00 a.m. to 8:30 p.m.
Thursday, October 24, 2019	–	8:00 a.m. to 12:00 noon

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*Note:*

- (1) The times in this subsection are subject to change as HKSCC may determine from time to time with prior notification to CCASS Clearing/Custodian Participants and/or CCASS Investor Participants.

CCASS Investor Participants can input **electronic application instructions** from 9:00 a.m. on Monday, October 21, 2019 until 12:00 noon on Thursday, October 24, 2019 (24 hours daily, except on Thursday, October 24, 2019, the last application day).

The latest time for inputting your **electronic application instructions** will be 12:00 noon on Thursday, October 24, 2019, the last application day or such later time as described in “10. Effect of Bad Weather on the Opening of the Application Lists” in this section.

### No Multiple Applications

If you are suspected of having made multiple applications or if more than one application is made for your benefit, the number of Hong Kong Offer Shares applied for by HKSCC Nominees will be automatically reduced by the number of Hong Kong Offer Shares for which you have given such instructions and/or for which such instructions have been given for your benefit. Any **electronic application instructions** to make an application for the Hong Kong Offer Shares given by you or for your benefit to HKSCC shall be deemed to be an actual application for the purposes of considering whether multiple applications have been made.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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### Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance

For the avoidance of doubt, our Company and all other parties involved in the preparation of this prospectus acknowledge that each CCASS Participant who gives, or causes to give, **electronic application instructions** is a person who may be entitled to compensation under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance).

### Personal Data

The section of the Application Form headed “Personal Data” applies to any personal data held by our Company, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner, the Sole Lead Manager, the H Share Registrar, the receiving bank, the Underwriter(s) and any of their respective advisers and agents about you in the same way as it applies to personal data about applicants other than HKSCC Nominees.

### 7. WARNING FOR ELECTRONIC APPLICATIONS

The subscription of the Hong Kong Offer Shares by giving **electronic application instructions** to HKSCC is only a facility provided to CCASS Participants. Similarly, the application for Hong Kong Offer Shares through the **White Form eIPO** service is also only a facility provided by the **White Form eIPO** Service Provider to public investors. Such facilities are subject to capacity limitations and potential service interruptions and you are advised not to wait until the last application day in making your electronic applications. Our Company, the Directors, the Sole Sponsor, the Sole Global Coordinator, the Sole Bookrunner and the Underwriter(s) take no responsibility for such applications and provide no assurance that any CCASS Participant or person applying through the **White Form eIPO** service will be allotted any Hong Kong Offer Shares.

To ensure that CCASS Investor Participants can give their **electronic application instructions**, they are advised not to wait until the last minute to input their instructions to the systems. In the event that CCASS Investor Participants have problems in the connection to CCASS Phone System/CCASS Internet System for submission of **electronic application instructions**, they should either (i) submit a **WHITE** or **YELLOW** Application Form, or (ii) go to HKSCC’s Customer Service Centre to complete an input request form for **electronic application instructions** before 12:00 noon on Thursday, October 24, 2019.

### 8. HOW MANY APPLICATIONS CAN YOU MAKE

Multiple applications for the Hong Kong Offer Shares are not allowed except by nominees. If you are a nominee, in the box on the Application Form marked “For nominees” you must include:

- an account number; or

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- some other identification code,

for each beneficial owner or, in the case of joint beneficial owners, for each joint beneficial owner. If you do not include this information, the application will be treated as being made for your benefit.

All of your applications will be rejected if more than one application on a **WHITE** or **YELLOW** Application Form or by giving **electronic application instructions** to HKSCC or through the **White Form eIPO** service, is made for your benefit (including the part of the application made by HKSCC Nominees acting on **electronic application instructions**). If an application is made by an unlisted company and:

- the principal business of that company is dealing in securities; and
- you exercise statutory control over that company,

then the application will be treated as being for your benefit.

“Unlisted company” means a company with no equity securities listed on the Hong Kong Stock Exchange.

“Statutory control” means you:

- control the composition of the board of directors of that company;
- control more than half of the voting power of that company; or
- hold more than half of the issued share capital of that company (not counting any part of it which carries no right to participate beyond a specified amount in a distribution of either profits or capital).

### 9. HOW MUCH ARE THE HONG KONG OFFER SHARES

The **WHITE** and **YELLOW** Application Forms have tables showing the exact amount payable for Shares.

You must pay the maximum Offer Price, brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee in full upon application for H Shares under the terms set out in the Application Forms.

You may submit an application using a **WHITE** or **YELLOW** Application Form or through the **White Form eIPO** service in respect of a minimum of 1,000 Hong Kong Offer Shares. Each application or **electronic application instruction** in respect of more than 1,000 Hong Kong Offer Shares must be in one of the numbers set out in the table in the Application Form, or as otherwise specified on the designated website at **www.eipo.com.hk**.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If your application is successful, brokerage will be paid to the Exchange Participants (as defined in the Hong Kong Listing Rules), and the SFC transaction levy and the Hong Kong Stock Exchange trading fee are paid to the Hong Kong Stock Exchange (in the case of the SFC transaction levy, collected by the Hong Kong Stock Exchange on behalf of the SFC).

For further details on the Offer Price, please refer to the section headed “Structure of the Global Offering – Pricing of the Global Offering”.

### 10. EFFECT OF BAD WEATHER ON THE OPENING OF THE APPLICATION LISTS

The application lists will not open if there is:

- a tropical cyclone warning signal number 8 or above;
- a “black” rainstorm warning; and/or
- Extreme Conditions.

in force in Hong Kong at any time between 9:00 a.m. and 12:00 noon on Thursday, October 24, 2019. Instead they will open between 11:45 a.m. and 12:00 noon on the next business day which does not have either of those warnings or Extreme Conditions in Hong Kong in force at any time between 9:00 a.m. and 12:00 noon.

If the application lists do not open and close on Thursday, October 24, 2019 or if there is a tropical cyclone warning signal number 8 or above, a “black” rainstorm warning signal and/or Extreme Conditions in force in Hong Kong that may affect the dates mentioned in the section headed “Expected Timetable”, an announcement will be made in such event.

### 11. PUBLICATION OF RESULTS

Our Company expects to announce the final Offer Price, the level of indication of interest in the International Offering, the level of applications in the Hong Kong Public Offering and the basis of allocation of the Hong Kong Offer Shares on Wednesday, October 30, 2019 in the South China Morning Post (in English) and Hong Kong Economic Times (in Chinese) on our Company’s website at **www.ynhnt.com** and the Hong Kong Stock Exchange’s website at **www.hkexnews.hk**.

The results of allocations and the Hong Kong identity card/passport/Hong Kong business registration numbers of successful applicants under the Hong Kong Public Offering will be available at the times and date and in the manner specified below:

- in the announcement to be posted on our Company’s website at **www.ynhnt.com** and the Hong Kong Stock Exchange’s website at **www.hkexnews.hk** by no later than 8:00 a.m. on Wednesday, October 30, 2019;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- from the designated results of allocations website at [www.iporesults.com.hk](http://www.iporesults.com.hk) (alternatively: English <https://www.eipo.com.hk/en/Allotment>; Chinese <https://www.eipo.com.hk/zh-hk/Allotment>) with a “search by ID” function on a 24-hour basis from 8:00 a.m. on Wednesday, October 30, 2019 to 12:00 midnight on Tuesday, November 5, 2019;
- by telephone enquiry line by calling +852 2862 8669 between 9:00 a.m. and 10:00 p.m. from Wednesday, October 30, 2019 to Saturday, November 2, 2019; and
- in the special allocation results booklets which will be available for inspection during opening hours on Wednesday, October 30, 2019, Thursday, October 31, 2019 and Friday, November 1, 2019 at the receiving bank’s designated outlets.

If our Company accepts your offer to purchase (in whole or in part), which it may do by announcing the basis of allocations and/or making available the results of allocations publicly, there will be a binding contract under which you will be required to purchase the Hong Kong Offer Shares if the conditions of the Global Offering are satisfied and the Global Offering is not otherwise terminated. Please refer to the section headed “Structure of the Global Offering” for further details.

You will not be entitled to exercise any remedy of rescission for innocent misrepresentation at any time after acceptance of your application. This does not affect any other right you may have.

### 12. CIRCUMSTANCES IN WHICH YOU WILL NOT BE ALLOTTED OFFER SHARES

You should note the following situations in which the Hong Kong Offer Shares will not be allotted to you:

**(i) If your application is revoked:**

By completing and submitting an Application Form or giving **electronic application instructions** to HKSCC or to the **White Form eIPO** Service Provider, you agree that your application or the application made by HKSCC Nominees on your behalf cannot be revoked on or before the fifth day after the time of the opening of the application lists (excluding for this purpose any day which is a Saturday, Sunday or public holiday in Hong Kong). This agreement will take effect as a collateral contract with our Company.

Your application, or the application made by HKSCC Nominees on your behalf may only be revoked on or before such fifth day if a person responsible for this prospectus under Section 40 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance (as applied by Section 342E of the Companies (Winding Up and Miscellaneous Provisions) Ordinance) gives a public notice under that section which excludes or limits that person’s responsibility for this prospectus.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If any supplement to this prospectus is issued, applicants who have already submitted an application will be notified that they are required to confirm their applications. If applicants have been so notified but have not confirmed their applications in accordance with the procedure to be notified, all unconfirmed applications will be deemed revoked.

If your application or the application made by HKSCC Nominees on your behalf has been accepted, it cannot be revoked. For this purpose, acceptance of applications which are not rejected will be constituted by notification in the press of the results of allocation, and where such basis of allocation is subject to certain conditions or provides for allocation by ballot, such acceptance will be subject to the satisfaction of such conditions or results of the ballot respectively.

**(ii) If our Company or its agents exercise their discretion to reject your application:**

Our Company, the Sole Global Coordinator, the **White Form eIPO** Service Provider and their respective agents and nominees have full discretion to reject or accept any application, or to accept only part of any application, without giving any reasons.

**(iii) If the allotment of Hong Kong Offer Shares is void:**

The allotment of Hong Kong Offer Shares will be void if the Listing Committee does not grant permission to list the H Shares either:

- within three weeks from the closing date of the application lists; or
- within a longer period of up to six weeks if the Listing Committee notifies our Company of that longer period within three weeks of the closing date of the application lists.

**(iv) If:**

- you make multiple applications or suspected multiple applications;
- you or the person for whose benefit you are applying have applied for or taken up, or indicated an interest for, or have been or will be placed or allocated (including conditionally and/or provisionally) Hong Kong Offer Shares and International Offer Shares;
- your Application Form is not completed in accordance with the stated instructions;
- your **electronic application instructions** through the **White Form eIPO** service are not completed in accordance with the instructions, terms and conditions on the designated website;
- your payment is not made correctly or the cheque or banker's cashier order paid by you is dishonored upon its first presentation;

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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- the Underwriting Agreements do not become unconditional or are terminated;
- our Company or the Sole Global Coordinator believes that by accepting your application, it or they would violate applicable securities or other laws, rules or regulations; or
- your application is for more than 50% of the Hong Kong Offer Shares initially offered under the Hong Kong Public Offering.

### 13. REFUND OF APPLICATION MONIES

If an application is rejected, not accepted or accepted in part only, or if the Offer Price as finally determined is less than the maximum offer price of HK\$3.51 per Offer Share (excluding brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee thereon), or if the conditions of the Hong Kong Public Offering are not fulfilled in accordance with the section headed “Structure of the Global Offering – Conditions of the Hong Kong Public Offering” or if any application is revoked, the application monies, or the appropriate portion thereof, together with the related brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee, will be refunded, without interest or the cheque or banker’s cashier order will not be cleared.

Any refund of your application monies will be made on or before Wednesday, October 30, 2019.

### 14. DISPATCH/COLLECTION OF SHARE CERTIFICATES AND REFUND MONIES

You will receive one share certificate for all Hong Kong Offer Shares allotted to you under the Hong Kong Public Offering (except pursuant to applications made on **YELLOW** Application Forms or by **electronic application instructions** to HKSCC via CCASS where the share certificates will be deposited into CCASS as described below).

No temporary document of title will be issued in respect of the H Shares. No receipt will be issued for sums paid on application. If you apply by **WHITE** or **YELLOW** Application Form, subject to personal collection as mentioned below, the following will be sent to you (or, in the case of joint applicants, to the first-named applicant) by ordinary post, at your own risk, to the address specified on the Application Form:

- share certificate(s) for all the Hong Kong Offer Shares allotted to you (for **YELLOW** Application Forms, share certificates will be deposited into CCASS as described below); and
- refund cheque(s) crossed “Account Payee Only” in favor of the applicant (or, in the case of joint applicants, the first-named applicant) for (i) all or the surplus application monies for the Hong Kong Offer Shares, wholly or partially unsuccessfully applied for; and/or (ii) the difference between the Offer Price and the

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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maximum Offer Price per Offer Share paid on application in the event that the Offer Price is less than the maximum Offer Price (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest). Part of the Hong Kong identity card number/passport number, provided by you or the first-named applicant (if you are joint applicants), may be printed on your refund cheque, if any. Your banker may require verification of your Hong Kong identity card number/passport number before encashment of your refund cheque(s). Inaccurate completion of your Hong Kong identity card number/passport number may invalidate or delay encashment of your refund cheque(s).

Subject to arrangement on dispatch/collection of share certificates and refund monies as mentioned below, any refund cheques and share certificates are expected to be posted on or before Wednesday, October 30, 2019. The right is reserved to retain any share certificate(s) and any surplus application monies pending clearance of cheque(s) or banker's cashier's order(s).

Share certificates will only become valid at 8:00 a.m. on Thursday, October 31, 2019 provided that the Global Offering has become unconditional and the right of termination described in the section headed "Underwriting" has not been exercised. Investors who trade Shares prior to the receipt of share certificates or the share certificates becoming valid do so at their own risk.

### **Personal Collection**

#### ***(i) If you apply using a WHITE Application Form***

If you apply for 1,000,000 or more Hong Kong Offer Shares and have provided all information required by your Application Form, you may collect your refund cheque(s) and/or share certificate(s) from the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong from 9:00 a.m. to 1:00 p.m. on Wednesday, October 30, 2019 or such other date as notified by us in the newspapers.

If you are an individual who is eligible for personal collection, you must not authorize any other person to collect for you. If you are a corporate applicant which is eligible for personal collection, your authorized representative must bear a letter of authorization from your corporation stamped with your corporation's chop. Both individuals and authorized representatives must produce, at the time of collection, evidence of identity acceptable to the H Share Registrar.

If you do not collect your refund cheque(s) and/or share certificate(s) personally within the time specified for collection, they will be dispatched promptly to the address specified in your Application Form by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) and/or share certificate(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 30, 2019, by ordinary post and at your own risk.



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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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***(ii) If you apply using a YELLOW Application Form***

If you apply for 1,000,000 Hong Kong Offer Shares or more, please follow the same instructions as described above for collecting refund cheque(s). If you have applied for less than 1,000,000 Hong Kong Offer Shares, your refund cheque(s) will be sent to the address on the relevant Application Form on or before Wednesday, October 30, 2019, by ordinary post and at your own risk.

If you apply by using a **YELLOW** Application Form and your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for credit to your or the designated CCASS Participant's stock account as stated in your Application Form on Wednesday, October 30, 2019 or upon contingency, on any other date determined by HKSCC or HKSCC Nominees.

- *If you apply through a designated CCASS participant (other than a CCASS investor participant)*

For Hong Kong Offer Shares credited to your designated CCASS participant's stock account (other than CCASS Investor Participant), you can check the number of Hong Kong Offer Shares allotted to you with that CCASS participant.

- *If you are applying as a CCASS investor participant*

We will publish the results of CCASS Investor Participants' applications together with the results of the Hong Kong Public Offering in the manner described in "11. Publication of Results" above. You should check the announcement published by us and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 30, 2019 or any other date as determined by HKSCC or HKSCC Nominees. Immediately after the credit of the Hong Kong Offer Shares to your stock account, you can check your new account balance via the CCASS Phone System and CCASS Internet System.

***(iii) If you apply through the White Form eIPO service***

If you apply for 1,000,000 Hong Kong Offer Shares or more and your application is wholly or partially successful, you may collect your share certificate(s) from our H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, from 9:00 a.m. to 1:00 p.m. on Wednesday, October 30, 2019, or such other date as notified by our Bank in the newspapers as the date of dispatch/collection of share certificates/e-Refund payment instructions/refund cheques.

If you do not collect your share certificate(s) personally within the time specified for collection, they will be sent to the address specified in your application instructions by ordinary post at your own risk.

If you apply for less than 1,000,000 Hong Kong Offer Shares, your share certificate(s) (where applicable) will be sent to the address specified in your application instructions on or before Wednesday, October 30, 2019 by ordinary post at your own risk.

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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If you apply and pay the application monies from a single bank account, any refund monies will be dispatched to that bank account in the form of e-Refund payment instructions. If you apply and pay the application monies from multiple bank accounts, any refund monies will be dispatched to the address as specified in your application instructions in the form of refund cheque(s) by ordinary post at your own risk.

*(iv) If you apply via Electronic Application Instructions to HKSCC*

*Allocation of Hong Kong Offer Shares*

For the purposes of allocating Hong Kong Offer Shares, HKSCC Nominees will not be treated as an applicant. Instead, each CCASS Participant who gives **electronic application instructions** or each person for whose benefit instructions are given will be treated as an applicant.

*Deposit of Share Certificates into CCASS and Refund of Application Monies*

- If your application is wholly or partially successful, your share certificate(s) will be issued in the name of HKSCC Nominees and deposited into CCASS for the credit of your designated CCASS Participant's stock account or your CCASS Investor Participant stock account on Wednesday, October 30, 2019, or, on any other date determined by HKSCC or HKSCC Nominees.
- Our Company expects to publish the application results of CCASS Participants (and where the CCASS Participant is a broker or custodian, our Company will include information relating to the relevant beneficial owner), your Hong Kong identity card number/passport number or other identification code (Hong Kong business registration number for corporations) and the basis of allotment of the Hong Kong Public Offering in the manner specified in "11. Publication of Results" above on Wednesday, October 30, 2019. You should check the announcement published by our Company and report any discrepancies to HKSCC before 5:00 p.m. on Wednesday, October 30, 2019 or such other date as determined by HKSCC or HKSCC Nominees.
- If you have instructed your broker or custodian to give **electronic application instructions** on your behalf, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you with that broker or custodian.
- If you have applied as a CCASS Investor Participant, you can also check the number of Hong Kong Offer Shares allotted to you and the amount of refund monies (if any) payable to you via the CCASS Phone System and the CCASS Internet System (under the procedures contained in HKSCC's "An Operating Guide for Investor Participants" in effect from time to time) on Wednesday, October 30, 2019. Immediately following the credit of the Hong Kong Offer

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## HOW TO APPLY FOR THE HONG KONG OFFER SHARES

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Shares to your stock account and the credit of refund monies to your bank account, HKSCC will also make available to you an activity statement showing the number of Hong Kong Offer Shares credited to your CCASS Investor Participant stock account and the amount of refund monies (if any) credited to your designated bank account.

- Refund of your application monies (if any) in respect of wholly and partially unsuccessful applications and/or difference between the Offer Price and the maximum Offer Price per Offer Share initially paid on application (including brokerage, SFC transaction levy and the Hong Kong Stock Exchange trading fee but without interest) will be credited to your designated bank account or the designated bank account of your broker or custodian on Wednesday, October 30, 2019.

### 15. ADMISSION OF THE SHARES INTO CCASS

If the Hong Kong Stock Exchange grants the listing of, and permission to deal in, the H Shares and we comply with the stock admission requirements of HKSCC, the H Shares will be accepted as eligible securities by HKSCC for deposit, clearance and settlement in CCASS with effect from the date of commencement of dealings in the H Shares or any other date HKSCC chooses. Settlement of transactions between Exchange Participants (as defined in the Hong Kong Listing Rules) is required to take place in CCASS on the second business day after any trading day.

All activities under CCASS are subject to the General Rules of CCASS and CCASS Operational Procedures in effect from time to time.

Investors should seek the advice of their stockbroker or other professional adviser for details of the settlement arrangement as such arrangements may affect their rights and interests.

All necessary arrangements have been made enabling the H Shares to be admitted into CCASS.

*The following is the text of a report set out on pages I-1 to I-3, received from the Company's reporting accountant, PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus. It is prepared and addressed to the directors of the Company and to the Sponsor pursuant to the requirements of HKSIR 200 Accountants' Reports on Historical Financial Information in Investment Circulars issued by the Hong Kong Institute of Certified Public Accountants.*



羅兵咸永道

**ACCOUNTANT'S REPORT ON HISTORICAL FINANCIAL INFORMATION TO THE DIRECTORS OF YCIH GREEN HIGH-PERFORMANCE CONCRETE COMPANY LIMITED AND CHINA INTERNATIONAL CAPITAL CORPORATION HONG KONG SECURITIES LIMITED**

**Introduction**

We report on the Historical Financial Information of 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, the “**Company**”) and its subsidiaries (together, the “**Group**”) set out on pages I-4 to I-88, which comprises the consolidated statements of financial position as at December 31, 2016, 2017 and 2018 and April 30, 2019, the Company's statements of financial position as at December 31, 2016, 2017 and 2018 and April 30, 2019, and the consolidated statements of comprehensive income, the consolidated statements of changes in equity and the consolidated statements of cash flows for each of the periods then ended (the “**Track Record Period**”) and a summary of significant accounting policies and other explanatory information (together, the “**Historical Financial Information**”). The Historical Financial Information set out on pages I-4 to I-88 forms an integral part of this report, which has been prepared for inclusion in the prospectus of the Company dated October 21, 2019 (the “**Prospectus**”) in connection with the initial listing of H shares of the Company on the Main Board of The Stock Exchange of Hong Kong Limited.

**Directors' responsibility for the Historical Financial Information**

The directors of the Company are responsible for the preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information, and for such internal control as the directors determine is necessary to enable the preparation of Historical Financial Information that is free from material misstatement, whether due to fraud or error.

**Reporting accountant's responsibility**

Our responsibility is to express an opinion on the Historical Financial Information and to report our opinion to you. We conducted our work in accordance with Hong Kong Standard on Investment Circular Reporting Engagements 200, *Accountants' Reports on Historical Financial Information in Investment Circulars* issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA"). This standard requires that we comply with ethical standards and plan and perform our work to obtain reasonable assurance about whether the Historical Financial Information is free from material misstatement.

Our work involved performing procedures to obtain evidence about the amounts and disclosures in the Historical Financial Information. The procedures selected depend on the reporting accountant's judgement, including the assessment of risks of material misstatement of the Historical Financial Information, whether due to fraud or error. In making those risk assessments, the reporting accountant considers internal control relevant to the entity's preparation of Historical Financial Information that gives a true and fair view in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information in order to design procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Our work also included evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the Historical Financial Information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Opinion**

In our opinion, the Historical Financial Information gives, for the purposes of the accountant's report, a true and fair view of the financial position of the Company as at December 31, 2016, 2017 and 2018 and April 30, 2019 and the consolidated financial position of the Group as at December 31, 2016, 2017 and 2018 and April 30, 2019 and of its consolidated financial performance and its consolidated cash flows for the Track Record Period in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Review of stub period comparative financial information**

We have reviewed the stub period comparative financial information of the Group which comprises the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the four months ended April 30, 2018 and other explanatory information (the "Stub Period Comparative Financial Information"). The directors of the Company are responsible for the preparation and presentation of the Stub Period Comparative Financial Information in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial

Information. Our responsibility is to express a conclusion on the Stub Period Comparative Financial Information based on our review. We conducted our review in accordance with International Standard on Review Engagements 2410, *Review of Interim Financial Information Performed by the Independent Auditor of the Entity* issued by the International Auditing and Assurance Standards Board (“IAASB”). A review consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion. Based on our review, nothing has come to our attention that causes us to believe that the Stub Period Comparative Financial Information, for the purposes of the accountant’s report, is not prepared, in all material respects, in accordance with the basis of presentation and preparation set out in Notes 1.3 and 2.1 to the Historical Financial Information.

**Report on matters under the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited (the “Hong Kong Listing Rules”) and the Companies (Winding Up and Miscellaneous Provisions) Ordinance**

*Adjustments*

In preparing the Historical Financial Information, no adjustment to the Underlying Financial Statements as defined on page I-4 have been made.

*Dividends*

We refer to Note 32 to the Historical Financial Information which contains information about the dividends paid by the Company in respect of the Track Record Period.

**PricewaterhouseCoopers**

Certified Public Accountants

Hong Kong

October 21, 2019

**I HISTORICAL FINANCIAL INFORMATION OF THE GROUP****Preparation of Historical Financial Information**

Set out below is the Historical Financial Information which forms an integral part of this accountant's report.

The financial statements of the Group for the Track Record Period, on which the Historical Financial Information is based, were audited by PricewaterhouseCoopers Zhong Tian LLP (普華永道中天會計師事務所(特殊普通合夥)) in accordance with International Standards on Auditing issued by the International Auditing and Assurance Standards Board (“IASB”) (“**Underlying Financial Statements**”).

The Historical Financial Information is presented in Renminbi (“**RMB**”) and all values are rounded to the nearest thousand (“**RMB'000**”) except when otherwise indicated.

## (a) Consolidated statements of comprehensive income

	Note	Year ended December 31,			Four months ended April 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Revenue</b>	5	2,404,585	3,112,091	3,357,117	1,069,918	937,987
Cost of sales	7	(2,009,605)	(2,708,304)	(2,997,649)	(968,729)	(852,340)
<b>Gross profit</b>		394,980	403,787	359,468	101,189	85,647
Selling expenses	7	(7,975)	(15,368)	(14,407)	(4,500)	(3,580)
Administrative expenses	7	(90,025)	(108,287)	(114,553)	(30,827)	(32,847)
Net impairment losses on financial assets	7	(16,356)	(4,303)	(11,870)	(3,123)	(2,078)
Other income	5	9,401	2,604	5,221	655	512
Other (losses)/gains – net	6	(3,683)	(1,821)	814	(15)	(698)
<b>Operating profit</b>		286,342	276,612	224,673	63,379	46,956
Finance income	10	623	1,130	1,147	407	282
Finance costs	10	(24,213)	(6,269)	(8,738)	(3,051)	(3,816)
Finance costs – net	10	(23,590)	(5,139)	(7,591)	(2,644)	(3,534)
<b>Profit before income tax</b>		262,752	271,473	217,082	60,735	43,422
Income tax expense	11	(66,935)	(52,379)	(37,633)	(10,511)	(7,347)
<b>Profit for the year/period</b>		195,817	219,094	179,449	50,224	36,075
<b>Profit attributable to:</b>						
– The equity holders of the Company		175,272	198,376	163,748	42,602	32,089
– Non-controlling interests		20,545	20,718	15,701	7,622	3,986
		195,817	219,094	179,449	50,224	36,075
<b>Other comprehensive income</b>		–	–	–	–	–
<b>Total comprehensive income for the year/period</b>		195,817	219,094	179,449	50,224	36,075
<b>Total comprehensive income attributable to:</b>						
– The equity holders of the Company		175,272	198,376	163,748	42,602	32,089
– Non-controlling interests		20,545	20,718	15,701	7,622	3,986
		195,817	219,094	179,449	50,224	36,075
<b>Earnings per share for profit attributable to the equity holders of the Company during the year/period (expressed in RMB per share)</b>						
– Basic and diluted earnings per share	12	0.67	0.64	0.52	0.14	0.10
<b>Dividends</b>	32	133,620	468	14,775	10,500	270,012



*(b) Consolidated statements of financial position*

	Note	As at December 31,			As at
		2016	2017	2018	April 30,
		RMB'000	RMB'000	RMB'000	2019
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Land use rights	13	21,602	21,102	20,602	20,435
Property, plant and equipment	14	296,410	296,592	258,105	226,696
Investment properties	15	2,873	3,150	3,011	2,940
Intangible assets	16	45	54	20	89
Deferred income tax assets	18	13,015	11,767	12,539	14,205
		<u>333,945</u>	<u>332,665</u>	<u>294,277</u>	<u>264,365</u>
<b>Current assets</b>					
Inventories	20	41,530	43,353	45,704	50,104
Trade and notes receivables	21	1,525,699	2,016,488	2,503,907	2,475,189
Prepayments and other receivables	22	37,375	58,840	59,766	71,701
Restricted cash	23	2,556	11,456	15,680	17,271
Cash and cash equivalents	24	300,315	331,801	240,026	302,898
		<u>1,907,475</u>	<u>2,461,938</u>	<u>2,865,083</u>	<u>2,917,163</u>
<b>Total assets</b>		<u><u>2,241,420</u></u>	<u><u>2,794,603</u></u>	<u><u>3,159,360</u></u>	<u><u>3,181,528</u></u>
<b>EQUITY</b>					
Share capital	25	312,390	312,390	312,390	312,390
Reserves	26	170,340	247,595	245,799	245,799
Retained earnings	27	102,468	174,135	321,464	110,328
<b>Total equity attributable to equity holders of the Company</b>		<u>585,198</u>	<u>734,120</u>	<u>879,653</u>	<u>668,517</u>
<b>Non-controlling interests</b>		<u>53,700</u>	<u>74,418</u>	<u>75,344</u>	<u>52,543</u>
<b>Total equity</b>		<u>638,898</u>	<u>808,538</u>	<u>954,997</u>	<u>721,060</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	28	22,692	23,530	15,565	13,552
Provision for close down, restoration and environmental cost	29	8,169	12,890	8,419	5,932
		<u>30,861</u>	<u>36,420</u>	<u>23,984</u>	<u>19,484</u>
<b>Current liabilities</b>					
Trade and other payables	30	1,436,211	1,724,657	2,002,587	2,254,360
Lease liabilities	28	14,899	31,130	21,655	13,058
Provision for close down, restoration and environmental cost	29	–	800	3,234	5,175
Contract liabilities	5	212	78,313	48,146	29,054
Current income tax liabilities		64,605	34,745	24,757	16,587
Borrowings	31	55,734	80,000	80,000	122,750
		<u>1,571,661</u>	<u>1,949,645</u>	<u>2,180,379</u>	<u>2,440,984</u>
<b>Total liabilities</b>		<u>1,602,522</u>	<u>1,986,065</u>	<u>2,204,363</u>	<u>2,460,468</u>
<b>Total equity and liabilities</b>		<u><u>2,241,420</u></u>	<u><u>2,794,603</u></u>	<u><u>3,159,360</u></u>	<u><u>3,181,528</u></u>

*(c) Statements of financial position of the Company*

	Note	As at December 31,			As at
		2016	2017	2018	April 30,
		RMB'000	RMB'000	RMB'000	2019
				RMB'000	
<b>ASSETS</b>					
<b>Non-current assets</b>					
Land use rights	13	21,602	21,102	20,602	20,435
Property, plant and equipment	14	189,251	186,498	163,406	142,768
Investment properties	15	2,873	3,150	3,011	2,940
Intangible assets	16	45	54	20	89
Investments in subsidiaries	17	98,416	98,416	149,278	149,278
Deferred income tax assets	18	8,464	6,354	7,843	7,803
		<u>320,651</u>	<u>315,574</u>	<u>344,160</u>	<u>323,313</u>
<b>Current assets</b>					
Inventories	20	28,255	32,052	33,969	39,825
Trade and notes receivables	21	1,180,048	1,587,188	1,941,909	1,936,484
Prepayments and other receivables	22	44,443	62,008	74,606	121,668
Restricted cash	23	2,500	11,400	15,624	17,215
Cash and cash equivalents	24	267,948	273,109	209,723	250,316
		<u>1,523,194</u>	<u>1,965,757</u>	<u>2,275,831</u>	<u>2,365,508</u>
<b>Total assets</b>		<u><u>1,843,845</u></u>	<u><u>2,281,331</u></u>	<u><u>2,619,991</u></u>	<u><u>2,688,821</u></u>
<b>EQUITY</b>					
Share capital	25	312,390	312,390	312,390	312,390
Reserves	26	179,156	308,773	325,192	325,192
Retained earnings	27	48,084	82,583	214,127	32,116
<b>Capital and reserve attributable to equity holders of the Company</b>		<u>539,630</u>	<u>703,746</u>	<u>851,709</u>	<u>669,698</u>
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Lease liabilities	28	16,111	17,136	11,233	9,996
Provision for close down, restoration and environmental cost	29	7,934	12,646	8,165	5,675
		<u>24,045</u>	<u>29,782</u>	<u>19,398</u>	<u>15,671</u>
<b>Current liabilities</b>					
Trade and other payables	30	1,185,497	1,379,016	1,620,085	1,854,115
Lease liabilities	28	12,764	27,867	19,382	11,393
Provision for close down, restoration and environmental cost	29	–	800	3,234	5,175
Contract liabilities		1,020	38,277	7,389	9,464
Current income tax liabilities		40,555	21,843	18,794	8,555
Borrowings	31	40,334	80,000	80,000	114,750
		<u>1,280,170</u>	<u>1,547,803</u>	<u>1,748,884</u>	<u>2,003,452</u>
<b>Total liabilities</b>		<u>1,304,215</u>	<u>1,577,585</u>	<u>1,768,282</u>	<u>2,019,123</u>
<b>Total equity and liabilities</b>		<u><u>1,843,845</u></u>	<u><u>2,281,331</u></u>	<u><u>2,619,991</u></u>	<u><u>2,688,821</u></u>

*(d) Consolidated Statements of Changes in Equity*

	Note	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
		RMB'000	RMB'000	RMB'000	RMB'000		
<b>As at January 1, 2016</b>		66,000	85,676	263,439	415,115	49,550	464,665
<b>Comprehensive income:</b>							
Profit for the year		-	-	175,272	175,272	20,545	195,817
<b>Transactions with owners:</b>							
Capital injection and contribution from equity holders of the Company	25(b)(iii)	246,390	77,358	(224,712)	99,036	-	99,036
Deemed contributions from equity holder of the Company	26(a)(ii)	-	6,650	-	6,650	-	6,650
Contribution from non-controlling interests		-	-	-	-	6,350	6,350
Dividends to equity holders of the Company	32	-	-	(82,227)	(82,227)	-	(82,227)
Deemed dividends to equity holders of the Company from the subsidiaries	32	-	-	(28,648)	(28,648)	-	(28,648)
Dividends to non-controlling interests	32	-	-	-	-	(22,745)	(22,745)
Appropriations to statutory reserve	26, 27	-	656	(656)	-	-	-
<b>As at December 31, 2016</b>		<u>312,390</u>	<u>170,340</u>	<u>102,468</u>	<u>585,198</u>	<u>53,700</u>	<u>638,898</u>
<b>As at January 1, 2017</b>		312,390	170,340	102,468	585,198	53,700	638,898
<b>Comprehensive income:</b>							
Profit for the year		-	-	198,376	198,376	20,718	219,094
<b>Transactions with owners:</b>							
Deemed contribution from equity holder of the Company	26(a)(iii)	-	3,376	-	3,376	-	3,376
Deemed dividends to equity holders of the Company from the subsidiaries	32	-	-	(468)	(468)	-	(468)
Business combination under common control	1.2(b)	-	(52,362)	-	(52,362)	-	(52,362)
Appropriation to statutory reserve	26, 27	-	17,037	(17,037)	-	-	-
Appropriation to other reserves upon conversion of the Company into a joint stock limited liability company	26(a)(iv), 27	-	109,204	(109,204)	-	-	-
<b>As at December 31, 2017</b>		<u>312,390</u>	<u>247,595</u>	<u>174,135</u>	<u>734,120</u>	<u>74,418</u>	<u>808,538</u>
<b>As at January 1, 2018</b>		312,390	247,595	174,135	734,120	74,418	808,538
<b>Comprehensive income:</b>							
Profit for the year		-	-	163,748	163,748	15,701	179,449
<b>Transactions with owners:</b>							
Dividends to non-controlling interests	32	-	-	-	-	(14,775)	(14,775)
Business combination under common control	1.2(b)	-	(18,215)	-	(18,215)	-	(18,215)
Appropriation to statutory reserve	26, 27	-	16,419	(16,419)	-	-	-
<b>As at December 31, 2018</b>		<u>312,390</u>	<u>245,799</u>	<u>321,464</u>	<u>879,653</u>	<u>75,344</u>	<u>954,997</u>

	<i>Note</i>	Attributable to equity holders of the Company				Non-controlling interests	Total equity
		Share capital	Reserves	Retained earnings	Total		
		<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>		
<b>As at January 1, 2018</b>		312,390	247,595	174,135	734,120	74,418	808,538
<b>Comprehensive income:</b>							
Profit for the period		-	-	42,602	42,602	7,622	50,224
<b>Transactions with owners:</b>							
Dividends to non-controlling interests	32	-	-	-	-	(10,500)	(10,500)
Business combination under common control	1.2(b)	-	(18,215)	-	(18,215)	-	(18,215)
<b>As at April 30, 2018 (unaudited)</b>		<u>312,390</u>	<u>229,380</u>	<u>216,737</u>	<u>758,507</u>	<u>71,540</u>	<u>830,047</u>
<b>As at January 1, 2019</b>		312,390	245,799	321,464	879,653	75,344	954,997
<b>Comprehensive income:</b>							
Profit for the period		-	-	32,089	32,089	3,986	36,075
<b>Transactions with owners:</b>							
Dividends to equity holders of the Company	32	-	-	(243,225)	(243,225)	-	(243,225)
Dividends to non-controlling interests	32	-	-	-	-	(26,787)	(26,787)
<b>As at April 30, 2019</b>		<u>312,390</u>	<u>245,799</u>	<u>110,328</u>	<u>668,517</u>	<u>52,543</u>	<u>721,060</u>

*(e) Consolidated statements of cash flows*

	Note	Year ended December 31,			Four months ended April 30,	
		2016	2017	2018	2018	2019
		RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
<b>Cash flows from operating activities</b>						
Cash generated from/(used in) operations	33(a)	294,555	109,379	148,870	(46,810)	92,924
Interest received	10	623	1,130	1,147	407	282
Interest paid to banks and other institutions	10, 30	(5,117)	(2,388)	(5,099)	(1,240)	(2,723)
Interest paid to the controlling shareholder	10	(16,477)	—	—	—	—
Income tax paid		(27,284)	(80,991)	(48,393)	(23,398)	(17,183)
<b>Net cash generated from/(used in) operating activities</b>		<b>246,300</b>	<b>27,130</b>	<b>96,525</b>	<b>(71,041)</b>	<b>73,300</b>
<b>Cash flows from investing activities</b>						
Purchase of property, plant and equipment		(47,697)	(41,918)	(45,081)	(7,498)	(14,123)
Proceeds from disposal of property, plant and equipment		106	7,622	834	61	1,699
Collection of the principal and interests of the loan due from the controlling shareholder		2,348	—	—	—	—
<b>Net cash used in investing activities</b>		<b>(45,243)</b>	<b>(34,296)</b>	<b>(44,247)</b>	<b>(7,437)</b>	<b>(12,424)</b>
<b>Cash flows from financing activities</b>						
Capital contribution from the Company's equity holders	25(b)(iii), 26(a)(iii)	94,386	3,376	—	—	—
Capital contributions from the then equity holder of the subsidiaries	26(a)(ii)	6,650	—	—	—	—
Contribution from non-controlling interests of the subsidiaries		5,000	—	—	—	—
Proceeds from borrowings	33(b)	102,365	111,150	81,489	—	122,750
Repayments of bank borrowings	33(b)	(83,200)	(44,000)	(80,000)	—	(80,000)
Payment for listing expenses		—	—	(8,351)	—	(8,788)
Payment for leases liabilities – principal	33(b)	(15,546)	(27,209)	(38,831)	(10,574)	(11,240)
Payment for leases liabilities – interest	33(b)	(2,677)	(3,822)	(3,619)	(1,413)	(726)
Dividends paid to the Company's equity holders	32	(30,032)	(468)	(21,287)	—	(20,000)
Net cash outflow arising from consideration paid to the controlling shareholder of the Company for acquisition of entities under common control	1.2(b)	—	—	(70,577)	(26,181)	—
Dividends paid to non-controlling interests of the subsidiaries	32	(10,425)	(375)	(2,877)	(377)	—
<b>Net cash generated from/(used in) financing activities</b>		<b>66,521</b>	<b>38,652</b>	<b>(144,053)</b>	<b>(38,545)</b>	<b>1,996</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<b>267,578</b>	<b>31,486</b>	<b>(91,775)</b>	<b>(117,023)</b>	<b>62,872</b>
Cash and cash equivalents at beginning of the year/period		32,737	300,315	331,801	331,801	240,026
<b>Cash and cash equivalents at end of the year/period</b>	24	<b>300,315</b>	<b>331,801</b>	<b>240,026</b>	<b>214,778</b>	<b>302,898</b>

## II NOTES TO THE FINANCIAL INFORMATION

### 1 GENERAL INFORMATION, GROUP REORGANISATION AND BASIS OF PRESENTATION

#### 1.1 General information

YNJG Green High-Performance Concrete Co., Ltd. (雲南建工綠色高性能混凝土有限公司, the “**Company**”) was incorporated in Yunnan Province of the People’s Republic of China (the “**PRC**”) on June 19, 2007 as a limited liability company under the Company law of the PRC. On December 22, 2017, the Company was converted into a joint stock limited liability company with registered capital of RMB312,390,000 and changed its name to YCIH Green High-Performance Concrete Company Limited (雲南建投綠色高性能混凝土股份有限公司). The address of its registered office is YCIH Zhaotong Development Building, Zhaotong Road, Zhaoyang District, Zhaotong, Yunnan Province, the PRC. During the Track Record Period, the parent company of the Group was Yunnan Construction Engineering Group Co., Ltd (“**YNJG**”) (“雲南建工集團有限公司”) before March of 2017 and Yunnan Construction and Investment Holding Group Co., Ltd. (“**YCIH**”) (“雲南省建設投資控股集團有限公司”) since March of 2017. Both YNJG and YCIH are operating under the supervision and regulation of the State-Owned Assets Supervision and Administration Commission of Yunnan Province (“**Yunnan SASAC**”).

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

The English names of the companies mentioned in the report represented the best effort by directors of the Company in translating their Chinese names as they may not have official English names.

#### 1.2 Group reorganisation

Prior to the reorganisation (the “**Reorganisation**”, as explained below), the principal activities of the Listing Business were carried out by certain subsidiaries controlled by Yunnan SASAC, YNJG and YCIH.

On April 11, 2016, pursuant to the resolution by the government of Yunnan Province, 100% equity interest of the No. 14 Metallurgical Construction Corporation of China Nonferrous Metal Industry (“中國有色金屬工業第十四冶金建設公司”) and 54.73% equity interest of Southwest Transportation and Construction Group Company Limited (“西南交通建設集團股份有限公司”) were transferred from the Yunnan SASAC to YNJG with nil consideration. On June 28, 2016, pursuant to the Yunnan SASAC’s approval, the shareholder of YNJG was changed to YCIH which was newly established by the Yunnan SASAC on April 19, 2016. As a result, YCIH became the controlling shareholder of the No. 14 Metallurgical Construction Corporation of China Nonferrous Metal Industry, Southwest Transportation and Construction Group Company Limited and YNJG.

In preparation for the listing of the Company’s shares, Reorganisation was undertaken pursuant to which the companies and business engaged in the Listing Business were transferred to the Company. The Reorganisation involved the following steps:

(a) *Transfer of commercial concrete division of YNJG (“Commercial Concrete Division”) and four subsidiaries engaged in the Listing Business to the Company*

On December 27, 2016, pursuant to a resolution of shareholders’ meeting, YNJG, Kunming Economic-Technological Development Zone Investment & Development (Group) Co., Ltd. (“**KMEIC**” “昆明經濟技術開發區投資開發(集團)有限公司”) and Yunnan Provincial Overseas Investment Co., Ltd. (“**YOIC**” “雲南省海外投資有限公司”, an entity controlled by YCIH) entered into a capital injection agreement, under which the share capital of the Company increased from RMB66,000,000 to RMB312,390,000. YCIH transferred the Commercial Concrete Division and four subsidiaries which carried out the Listing Business to the Company, namely, YCIH Polymer Material Co., Ltd. (“雲南建投高分子材料有限公司”), YCIH Qujing Building Material Co., Ltd. (“雲南建投曲靖建材有限公司”), YCIH Baoshan Yongchang Building Material Co., Ltd. (“雲南建投保山永昌建材有限公司”) and YCIH Yuxi Building Material Co., Ltd. (“雲南建投玉溪建材有限公司”).

As a result of the capital injection, the Company became the holding company of the Commercial Concrete Division and four subsidiaries, and carried out the Listing Business which were originally operated by YNJG and YCIH.

As part of the Reorganisation, YNJG transferred all the equity interest in the Company to YCIH in March 2017.

*(b) Transfer of remaining two operating subsidiaries engaged in the Listing Business to the Company*

From December 6, 2017 to November 9, 2018, pursuant to a series of share purchase agreements, YCIH firstly transferred YCIH 14th Metallurgical Green New Material Co., Ltd. (“14th Metallurgical New Material Company”, “雲南建投十四冶綠色新材料有限公司”) to YCIH Aggregate Co., Ltd. (“Aggregate Company”, “雲南建投砂石料有限公司”, an entity controlled by YCIH) at a consideration of RMB52,362,000. YCIH further transferred Aggregate Company and 14th Metallurgical New Material Company to the Company at a consideration of RMB18,215,000, and all the equity interests of 14th Metallurgical New Material Company was transferred from Aggregate Company to the Company at a consideration of RMB32,647,000.

As a result of the Reorganisation, the Company became the holding company of Commercial Concrete Division and the six subsidiaries (the “Operating Subsidiaries”) and carried out the Listing Business. Reorganisation is accounted for business combination under common control using predecessor method.

At the date of this report, the Company had direct interests in the following subsidiaries:

Directly held	Place and date of establishment	Issued and paid-up capital/ registered capital	Percentage of equity attributable to the Company		Principle activities	Note
			December 31, 2016, 2017 and 2018, and April 30, 2019	Date of this report		
YCIH Aggregate Co., Ltd.	PRC, September 30, 1999	RMB23,000,000	100%	100%	production and sale of construction sand and stone	(4)
YCIH Polymer Material Co., Ltd. (“Polymer Company”)	PRC, September 3, 2013	RMB33,000,000	100%	100%	research and development, production and sales of concrete admixtures	(4)
YCIH Qujing Building Material Co., Ltd. (“Qujing Building Material”)	PRC, August 19, 2014	RMB40,000,000	50%	50%	research and development, production, sale, transportation and pumping of commercial concrete	(2), (4)
YCIH Baoshan Yongchang Building Material Co., Ltd. (“Baoshan Building Material”)	PRC, January 21, 2015	RMB26,000,000	50%	50%	research and development, production, sale, transportation and pumping of commercial concrete	(3), (4)
YCIH Yuxi Building Material Co., Ltd. (“Yuxi Building Material”)	PRC, July 10, 2015	RMB12,000,000	55%	55%	research and development, production, sale, transportation and pumping of commercial concrete	(4)
YCIH 14th Metallurgical Green New Material Co., Ltd.	PRC, January 3, 2014	RMB30,000,000	100%	100%	research and development, production, sale, transportation and pumping of commercial concrete	(4)

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*Notes:*

- (1) All the companies comprising the group are with limited liability, and have adopted December 31 as their financial year end date.
- (2) Pursuant to agreements with other shareholders who hold 50% in Qujing Building Material, these shareholders would act in concert with the Company in exercise of their voting power at the general meetings. In addition, the Company has power to appoint majority of the board members. Thus the Company has controlled operational and financial decision of Qujing Building Material.
- (3) Pursuant to agreement with the other shareholder who hold 50% in Baoshan Building Material, the directors nominated by that shareholder would act in concert with the directors nominated by the Company in exercise of their voting power at the board meeting. According to Articles of Association of Baoshan Building Material, although the percentage of equity interests held by the Company is 50%, general meetings are controlled by the Company unilaterally. Thus the Company has controlled operational and financial decision of Baoshan Building Material.
- (4) The statutory financial statements of the subsidiaries of the Group for the years ended December 31, 2016, 2017 and 2018 have been audited by Mazars Certified Public Accountants LLP Yunnan Yitai Branch (“中審眾環會計師事務所(特殊普通合夥)雲南亞太分所”, “Mazars”).

### 1.3 Basis of presentation

The production and sales of ready-mixed concrete engaging in the Listing Business were under the common control of Yunnan SASAC, the controlling party of YNJG and YCIH immediately before and after the Reorganisation as described in Note 1.2. Accordingly, the Reorganisation is regarded as a business combination under common control.

For the purpose of this report, the Historical Financial Information has been prepared by including the financial information of the ready-mixed concrete supply engaging in the Listing Business, which were under the common control of Yunnan SASAC, the controlling party of YNJG and YCIH immediately before and after the Reorganisation and now comprising the Group, as if the current group structure had been in existence throughout the periods presented, or since the date when the consolidating companies first came under the control of Yunnan SASAC, whichever is a shorter period.

The net assets of the consolidating companies were consolidated using the existing book values from Yunnan SASAC's perspective. No amount is recognised in consideration for goodwill or excess of acquirer's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of business combination under common control, to the extent of the continuation of the controlling party's interest.

Intercompany transactions, balances and unrealised gains/losses on transactions between group companies are eliminated on consolidation.

## 2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the Historical Financial Information are set out below. These policies have been consistently applied during the Track Record Period, unless otherwise stated.

### 2.1 Basis of preparation

The Historical Financial Information has been prepared in accordance with International Financial Reporting Standards (“IFRS”) and under the historical cost convention.

The preparation of the Historical Financial Information in conformity with IFRS requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Group's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the Historical Financial Information are disclosed in Note 4 below.



All relevant standards, amendments and interpretations to the existing standards that are effective during the Track Record Period have been adopted by the Group consistently throughout the Track Record Period.

IFRS 15, "Revenue from Contracts with Customers" replaces the previous revenue standards of (International Accounting Standards "IAS") 18 "Revenue" and IAS 11 "Construction Contracts" and related interpretations. IFRS 9 "Financial Instruments" replaces the provisions of IAS 39 "Financial Instruments" that relate to the recognition, classification and measurement of financial assets and financial liabilities, derecognition of financial instruments, impairment of financial assets and hedge accounting.

IFRS 16 "Leases" replaces the previous IAS 17 "Leases" and related interpretations.

IFRS 15 and IFRS 9 are mandatorily effective for financial year beginning on or after January 1, 2018 and IFRS 16 is mandatorily effective for financial year beginning on or after January 1, 2019. In preparation of the Historical Financial Information, they are applied consistently throughout the Track Record Period.

*(a) New standards, amendments to standards and interpretations not yet adopted by the Group*

The following are new standards, amendments to existing standards and new interpretations that have been issued but are not effective for the Track Record Period, and have not been early adopted. The Group plans to adopt these new standards, amendments to standards and new interpretations when they become effective:

		<b>Effective for accounting periods beginning on or after</b>
IFRS 3	Definition of business	January 1, 2020
Amendments to IAS 1 and IAS 8	Definition of material	January 1, 2020
IFRS 17	Insurance Contract	January 1, 2022
Amendments to IFRS 10 and IAS 28	Sale or contribution assets between an investor and its associate or joint venture	To be determined

According to the assessment made by the Board of Directors, these new and amended standards are either not relevant to the Group or not significant to the financial performance and positions of the Group when they become effective.

## 2.2 Subsidiaries

### 2.2.1 Consolidation

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

*(a) Business combination under common control*

The Historical Financial Information incorporates the financial statements of the consolidating entities or business in which the common control combination occurs as if they had been consolidated from the date when the consolidating entities or business first came under the control of the controlling party.

The net assets of the consolidating entities or business are consolidated using the existing book values from the controlling parties' perspective. No amount is recognised in consideration for goodwill or excess of acquirers' interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over cost at the time of common control combination, to the extent of the continuation of the controlling party's interest.

The consolidated statements of comprehensive income include the results of each of the consolidating entities or business from the earliest date presented or since the date when the consolidating entities or business first came under the common control, where there is a shorter period, regardless of the date of the common control combination.

A uniform set of accounting policies is adopted by those entities. All intra-group transactions, balances and unrealised gains on transactions between consolidating entities or business are eliminated on consolidation.

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

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

*(c) Disposal of subsidiaries*

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

### **2.2.2 Separate financial information**

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividends received and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

## **2.3 Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as executive directors of the Company that makes strategic decisions.

## **2.4 Foreign currency translation**

*(a) Functional and presentation currency*

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency"). The consolidated financial statements are presented in Renminbi ("RMB") throughout the Track Record Period, which is the Company's functional currency and the Group's presentation currency.

*(b) Transactions and balances*

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated statements of comprehensive income within "finance costs – net". All other foreign exchange gains and losses are presented in the consolidated statements of comprehensive income within "other (losses)/gains-net".

## 2.5 Property, plant and equipment

Property, plant and equipment, other than construction in progress, are stated at historical cost less depreciation and provision for impairment loss, if any. Historical cost includes the expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the consolidated statements of comprehensive income during the financial period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their costs to their residual values over their estimated useful lives, as follows:

	<u>Years</u>
Right-of-use assets – building and facilities	1 to 15 years
Right-of-use assets – machinery and equipment	1 to 15 years
Buildings and facilities	2 to 30 years
Machinery and equipment	3 to 10 years
Motor Vehicles	5 to 8 years
Electronic equipment	3 years
Other equipment	2 to 5 years

Construction in progress represents property, plant and equipment under construction or pending installation and is stated at cost less provision for impairment loss, if any. Cost includes the costs of construction and acquisition as well as interest expenses during the periods of construction and installation. When the assets concerned are available for use, the costs are transferred to property, plant and equipment and depreciated in accordance with the policy as stated above.

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (Note 2.9).

Gains and losses on disposals are determined by comparing the proceeds with the carrying amount and are recognised within "other (losses)/gains-net" in the consolidated statements of comprehensive income.

## 2.6 Land use rights

All land in the PRC is state-owned or collectively-owned and no individual land ownership exists. Land use rights are recognised as right-of-use assets (see Note 2.22). The consideration paid for such rights are stated at cost less accumulative amortisation and accumulated impairment losses, if any. Land use rights are amortised over the lease period of 50 years using straight-line method.

## 2.7 Intangible assets

Intangible assets represented the purchased computer software which are capitalised on the basis of the costs incurred to acquire the specific software. These costs are amortised over periods ranging from 3 to 5 years.

## 2.8 Investment properties

Properties that are held for long-term rental yields or for capital appreciation or both, and that are not occupied by the Group, are classified as investment properties.

The Group's investment properties comprise buildings located in the PRC, which is measured initially at their costs, including the related transaction costs and borrowing costs, where appropriate.

After initial recognition, an investment property is measured at cost less accumulated depreciation and any provision for impairment losses. Historical cost includes expenditure that is directly attributable to the acquisition of the properties. The building portion of investment properties is depreciated over their estimate useful lives of 25 or 30 years.

Subsequent expenditure is capitalised to the asset's carrying amount or recognised as a separate asset only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance costs are expensed in the consolidated statements of comprehensive income during the financial period in which they are incurred.

An investment property shall be derecognised on disposal or when investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. Gains or losses arising from the retirement or disposal of an investment property shall be determined as the difference between the net disposal proceeds and the carrying amount of the asset and shall be recognised in the consolidated statements of comprehensive income in the period of the retirement or disposal.

## **2.9 Impairment of non-financial assets**

Assets that have an indefinite useful life are not subject to amortisation, but are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

## **2.10 Financial assets**

### ***2.10.1 Classification***

The Group classifies its financial assets in the following measurement categories:

- those to be measured subsequently at fair value (either through other comprehensive income ("OCI"), or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the Group's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or other comprehensive income. For investments in debt instruments, this will depend on the business model in which the investment is held. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income.

See Note 19 for details of each type of financial assets.

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

### ***2.10.2 Recognition and measurement***

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss.

*Debt instruments*

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

- **Amortised cost:** Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. A gain or loss on a debt investment that is subsequently measured at amortised cost and is not part of a hedging relationship is recognised in profit or loss when the asset is derecognised or impaired. Interest income from these financial assets is included in other income using the effective interest rate method.
- **Fair value through other comprehensive income (FVOCI):** Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest revenue and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gains or losses previously recognised in OCI are reclassified from equity to profit or loss and recognised in "other (losses)/gains – net". Interest income from these financial assets is included in other income using the effective interest rate method. Foreign exchange gains and losses are presented in "other (losses)/ gains – net" and "net impairment losses on financial assets".
- **Fair value through profit or loss:** Assets that do not meet the criteria for amortised cost or FVOCI are measured at fair value through profit or loss. A gain or loss on a debt investment that is subsequently measured at fair value through profit or loss and is not part of a hedging relationship is recognised in profit or loss and presented net in the consolidated statements of comprehensive income within "other (losses)/gains-net" in the period in which it arises.

*Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in other comprehensive income, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as other income when the Group's right to receive payments is established.

Changes in the fair value of financial assets at fair value through profit or loss are recognised in "other (losses)/gains-net" in the consolidated statements of comprehensive income, where applicable.

**2.10.3 Impairment**

For trade receivables and notes receivable, the Group applies the simplified approach permitted by IFRS 9, which requires to recognise the lifetime expected credit losses. The amount of expected credit losses (or reversal) that is required to adjust the loss allowance at the reporting date to its recognised amount is recognised in profit or loss, as an impairment loss or a reversal of an impairment loss.

Expected credit losses are a probability-weighted estimate of credit losses over the expected life of the trade and notes receivables. Expected credit losses on trade and notes receivables are calculated by using the provision matrix approach. Trade and notes receivables are categorised by common risk characteristics that are representative of the customers' abilities to pay all amounts due in accordance with the contractual terms. The provision matrix is determined based on historical observed default rates over the expected life of the trade and notes receivables and is adjusted for forward-looking estimates. At every reporting date the historical observed default rates are updated and changes in the forward-looking estimates are analysed.

While cash and cash equivalents and restricted cash are also subject to the impairment requirements of IFRS 9, the identified impairment loss was immaterial.

Impairment on other receivables is measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk of a receivable has occurred since initial recognition, then impairment is measured as lifetime expected credit losses.

Trade and other receivables, notes receivable, cash and cash equivalents and restricted cash are written off (either partially or in full) when there is no reasonable expectation of recovery.

#### **2.10.4 Derecognition**

The Group derecognises a financial asset, if the part being considered for derecognition meets one of the following conditions: (i) the contractual rights to receive the cash flows from the financial asset expire; or (ii) the contractual rights to receive the cash flows of the financial asset have been transferred, the Group transfers substantially all the risks and rewards of ownership of the financial asset; or (iii) the Group retains the contractual rights to receive the cash flows of the financial asset, but assumes a contractual obligation to pay the cash flows to the eventual recipient in an agreement that meets all the conditions of derecognition transfer of cash flows ("pass through" requirements) and transfers substantially all the risks and rewards of ownership of the financial asset.

Where a transfer of a financial asset in its entirety meets the criteria for derecognition, the difference between the two amounts below is recognised by the Group in profit or loss:

- the carrying amount of the financial assets transferred; and
- the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised directly in equity.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership and continues to control the transferred asset, the Group continues to recognise the asset to the extent of its continuing involvement and recognises an associated liability.

### **2.11 Financial liabilities**

#### **(a) Recognition and measurement**

Financial liabilities are classified as financial liabilities at amortised cost. Financial liabilities at amortised cost are recognised initially at fair value net of transaction costs incurred and subsequently stated at amortised cost. Any difference between proceeds net of transaction costs and the redemption value is recognised in the profit or loss over the period of the other financial liabilities using the effective interest method.

Financial liabilities are classified as current liabilities if payment is due within one year or less. If not, they are presented as non-current liabilities. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

See Note 19 for details of each type of financial liabilities.

#### **(b) Derecognition**

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

### **2.12 Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount reported in the consolidated statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy of the Company or the counterparty.

### **2.13 Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined using the weighted average method. Net realisable value is the estimated selling price in the ordinary course of business, less applicable variable selling expenses.

**2.14 Trade and other receivables**

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If collection of trade and other receivables is expected in one year or less (or in the normal operating cycle of the business if longer), they are classified as current assets. If not, they are presented as non-current assets.

Trade and other receivables are subsequently measured at amortised cost using the effective interest method, less provision for impairment. See Note 2.10.3 for further information about the Group's accounting policies for trade and other receivables.

**2.15 Cash and cash equivalents**

In the consolidated cash flows statements, cash and cash equivalents includes cash in hand, deposits held at call with banks and financial institutions and readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**2.16 Share capital**

Ordinary shares are classified as equity.

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

**2.17 Trade and other payables**

Trade payables are obligations to pay for goods, construction or services that have been acquired in the ordinary course of business from suppliers. Trade payables are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

Trade payables and other payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method. See Note 2.11 for further information about the Group's accounting policies for trade and other payables.

**2.18 Borrowings**

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost; any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

See Note 2.11 for further information about the Group's accounting for borrowings.

**2.19 Borrowings cost**

General and specific borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, which will be capitalized, until such time as the assets are substantially ready for their intended use or sale.

Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are expensed in the period in which they are incurred.

## 2.20 Current and deferred income tax

The tax expense for the period comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

### (a) *Current income tax*

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the balance sheet date in the areas where the Company's subsidiaries operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

### (b) *Deferred income tax*

#### *Inside basis differences*

Deferred income tax is recognised, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, if deferred income tax liabilities arise from the initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit nor loss, it is not accounted for. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the balance sheet date and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

Deferred income tax assets are recognised only to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised.

#### *Outside basis differences*

Deferred income tax is provided on temporary differences arising on investments in subsidiaries, joint controlled entities and associates, except for deferred income tax liability where the timing of the reversal of the temporary difference is controlled by the Group and it is probable that the temporary difference will not reverse in the foreseeable future.

### (c) *Offsetting*

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to income taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

## 2.21 Employee benefits

### (a) *Pension obligation*

The full-time employees of the Group in the PRC are covered by the government-sponsored defined contribution pension plans under which the employees are entitled to a monthly pension based on certain formulas. The relevant government agencies are responsible for the pension liability to these retired employees. The Group contributes on a monthly basis to these pension plans. Under these plans, the Group has no obligation for post-retirement benefits beyond the contributions made and contributions to these plans are included in profit or loss as incurred.

### (b) *Housing fund, medical insurance and other social insurances*

Employees of the Group in the PRC are entitled to participate in various government-supervised housing fund, medical insurance and other employee social insurance plans. The Group contributes on a monthly basis to these funds based on certain percentages of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.



(c) *Bonus entitlements*

The expected cost of bonus payments is recognised as a liability when the Group has a present contractual or constructive obligation as a result of services rendered by employees and a reliable estimation of the obligation can be made.

## 2.22 Leases

The Group leases various property, plant and equipment and land use rights for the production of ready-mixed concrete. Properties, plants and equipment and land use rights leases are typically made for fixed periods of one to fifteen years and 50 years respectively. Lease terms are negotiated on an individual basis and contain various different terms and conditions. The lease agreements do not impose any covenants, but leased assets may not be used as security for borrowing purposes.

Property, plant and equipment and land use right leases are recognised as right-of-use assets and the corresponding liabilities at the date of which the respective leased asset is available for use by the Group. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments:

- fixed payments (including in-substance fixed payments), less any lease incentives receivable,
- variable lease payment that are based on an index or a rate,
- amounts expected to be payable by the lessee under residual value guarantees,
- the exercise price of a purchase option if the lessee is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising that option.

The lease payments are discounted using the interest rate implicit in the lease, if that rate or the Group's incremental borrowing rate can be determined.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of less than 12 months.

## 2.23 Provisions and contingent liabilities

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events; it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as interest expense.

A contingent liability is a possible obligation that arises from past events and its existence will only be confirmed by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the Group's financial statements. When a change in the probability of an outflow occurs so that outflow is probable, it will then be recognised as a provision.

## 2.24 Revenue recognition

Revenue is recognised when or as the control of the goods or services is transferred to the customer. Depending on the terms of the contract and laws that apply to the contract, control of the goods and services may be transferred overtime or at a point in time.

Revenue is recognised when a performance obligation is satisfied by transferring control of the promised goods or services to a customer in an amount that reflects the consideration expected to be collected in exchange for those goods or services. The revenue recognition of the Group is determined through the following five steps:

- (i) Identification of the contract, or contracts, with a customer;
- (ii) Identification of the performance obligations in the contract;
- (iii) Determination of the transaction price;
- (iv) Allocation of the transaction price to the performance obligations in the contract;
- (v) Recognition of revenue when, or as, a performance obligation is satisfied.

At contract inception, it is performed that the assessment and the identification of a performance obligation for each promise to transfer to the customer a product or a service (or bundle of products or services) that is distinct. To identify the performance obligations, the Group consider all the products and services promised in the contract with the customer based on the Group's customary business practices, published policies, or specific statements.

The Group determines whether control of a product or a service is transferred to a customer over time or at a point in time based on the analysis of the following three criteria. Revenue is recognised over time if any of such criteria are met that the Group:

- provides all of the benefits received and consumed simultaneously by the customer; or
- creates or enhances an asset that the customer controls as the Group perform; or
- does not create an asset with an alternative use of the Group and the Group has an enforceable right to request the customer for payment for performance completed to date.

A performance obligation is satisfied at a point in time if none of the above criteria for satisfying a performance obligation over time are met.

The Group recognises costs incurred in obtaining contracts with customers that are directly associated with the contracts as contract costs if those costs are expected to be recoverable. The contract costs are amortised on a basis consistent with the pattern of the transfer of the goods or services to which the asset relates. As a practical expedient, the Group recognises the incremental costs of obtaining a contract as profit or loss when incurred as the amortisation period of the asset that the Group otherwise would have recognised is one year or less.

A contract liability is the Group's obligation to render the services to a customer for which the Group has received consideration from the customer.

The application of the Group's revenue recognition policies and a description of the principal activities, organized by segment, from which the Group generate its revenue, are presented below.

### (a) Sales of goods

The Group produces and sells ready-mixed concrete, aggregates, and polycarboxylic admixtures to customers in the Yunnan Province of the PRC. Customers include distributors, constructors and property development companies. Revenue from sales of goods is recognised when control of the products are transferred at a point in time to its customers, that is when the products are delivered and accepted by the customers. The customers have full discretion over the products, and there is no unfulfilled obligation that could affect the customer's acceptance of the products.

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

(b) *Interest income*

Interest income is presented as finance income where it is earned from financial assets that are held for cash management purposes, see Note 10 below. Any other interest income is included in other income.

Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial assets that subsequently become credit-impaired. For credit-impaired financial assets the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(c) *Quality and technology management services*

The Group provides quality and technology management services to other ready-mixed concrete manufacturers. Revenue from quality and technology management services is recognised based on the units of ready-mixed concrete produced by the customers at a point in time.

## 2.25 Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grants from the government will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in consolidated statements of comprehensive income over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to consolidated statements of comprehensive income on a straight-line basis over the expected lives of the related assets. Note 5 provides further information on the accounting policies of the Group for government grants.

## 2.26 Research and development

Research expenditure is recognised as an expense as incurred.

When the future economic benefits become apparent as a project progresses into the development stage the costs incurred on development projects which satisfy the criteria of capitalisation (relating to the design and testing of new or improved products) are capitalised as intangible assets when recognition criteria are fulfilled and tests for impairment are performed annually. Other development expenditures that do not meet those criteria of capitalisation are recognised as expenses as incurred.

Development costs previously recognised as expenses are not recognised as assets in subsequent periods. Capitalised development costs are amortised from the point at which the assets are ready for use on a straight-line basis over their estimated useful lives.

## 2.27 Dividend distribution

Dividend distribution to the Company's equity holders is recognised as a liability in the Company and the Group's Historical Financial Information in the period in which the dividends are approved by the Company's equity holders.

## 3 FINANCIAL RISK MANAGEMENT

### 3.1 Financial risk factors

The Group's activities expose it to a variety of financial risks: market risk (including commodity price risk, cash flow and fair value interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group currently does not use any derivative financial instruments to hedge certain risk exposures.

(a) *Market risk*

(i) *Cash flow and fair value interest rate risk*

The Group's interest rate risk is mainly attributable to its cash and cash equivalents, bank borrowings and lease liabilities. Financial assets and liabilities at variable rates expose the Group to cash flow interest rate risk. Financial assets and liabilities at fixed rates expose the Group to fair value interest rate risk. Details of the Group's cash and cash equivalents and bank borrowings have been disclosed in Note 24 and Note 31 respectively to the Historical Financial Information.

As of December 31, 2016, 2017 and 2018 and April 30, 2019, if interest rates on cash and cash equivalents and bank borrowings had been 10% higher/lower with all other variables held constant, profit after income tax for the year/period would have been approximately RMB267,000 lower/higher, RMB24,000 lower/higher and RMB336,000 lower/higher and RMB147,000 lower/higher respectively, mainly as a result of higher/lower net interest income/expense being recognised/incurred.

(b) *Credit risk*

The carrying amounts of cash and cash equivalents, restricted cash balances, trade and notes receivables, and other receivables included in the consolidated financial statements represent the Group's maximum exposure to credit risk in relation to its financial assets. The objective of the Group's measures to manage credit risk is to control potential exposure to recoverability problem.

The majority of the cash and cash equivalents and restricted cash balances, were deposited in the state-owned banks in the PRC and Yunnan Construction and Investment Holding Group Financial Management Company Limited (“雲南建投集團財務有限公司”), a related company of the Group, which the directors of the Company believe are of high credit quality.

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of receivables and adjusts for forward looking macro economic data including China's sustainable growth rate in infrastructure construction and real estate investment.

(i) *Trade receivables*

The Group applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables from third parties and related parties.

To measure the expected credit losses of trade receivables, trade receivables have been grouped based on shared credit risk characteristics and the aging dates. The expected loss rates are based on the payment profiles of sales over a period of five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables. As at December 31, 2016, 2017 and 2018 and April 30, 2019, the expected loss rate for trade receivables from YCIH Group is around 0.5%, with a carrying amount of RMB1,181,507,000, RMB1,549,356,000, RMB1,727,083,000 and RMB1,630,520,000 and the allowance provision of RMB5,907,000, RMB7,746,000, RMB8,635,000 and RMB8,152,000. The expected loss rate for the remaining trade receivables as at December 31, 2016, 2017 and 2018 and April 30, 2019 is determined as follows:

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
Trade receivables (excluding trade receivables from YCIH Group)							
As at December 31, 2016							
Expected loss rate	1%	13%	22%	30%	50%	80%	8%
Gross carrying amount (RMB'000)	219,050	79,563	30,907	4,865	3,297	7,765	345,447
Loss allowance provision (RMB'000)	(2,191)	(10,205)	(6,915)	(1,460)	(1,649)	(6,212)	(28,632)
	<u>216,859</u>	<u>69,358</u>	<u>23,992</u>	<u>3,405</u>	<u>1,648</u>	<u>1,553</u>	<u>316,815</u>
As at December 31, 2017							
Expected loss rate	1%	10%	27%	33%	50%	80%	7%
Gross carrying amount (RMB'000)	294,671	85,006	27,877	21,571	1,085	2,980	433,190
Loss allowance provision (RMB'000)	(2,947)	(8,501)	(7,576)	(7,113)	(543)	(2,384)	(29,064)
	<u>291,724</u>	<u>76,505</u>	<u>20,301</u>	<u>14,458</u>	<u>542</u>	<u>596</u>	<u>404,126</u>
As at December 31, 2018							
Expected loss rate	1%	10%	20%	41%	53%	80%	5%
Gross carrying amount (RMB'000)	597,836	101,818	38,112	14,748	14,353	2,405	769,272
Loss allowance provision (RMB'000)	(5,978)	(10,182)	(7,622)	(6,109)	(7,635)	(1,924)	(39,450)
	<u>591,858</u>	<u>91,636</u>	<u>30,490</u>	<u>8,639</u>	<u>6,718</u>	<u>481</u>	<u>729,822</u>
As at April 30, 2019							
Expected loss rate	1%	10%	20%	47%	55%	80%	5%
Gross carrying amount (RMB'000)	616,361	81,201	72,138	10,593	10,035	2,597	792,925
Loss allowance provision (RMB'000)	(6,142)	(8,082)	(14,428)	(4,927)	(5,524)	(2,078)	(41,181)
	<u>610,219</u>	<u>73,119</u>	<u>57,710</u>	<u>5,666</u>	<u>4,511</u>	<u>519</u>	<u>751,744</u>

The provision for trade receivables as at December 31, 2016, 2017 and 2018 and April 30, 2019, and reconciles to the opening loss allowance for that provision as follows:

	<b>Provision for trade receivables</b>
	<i>RMB'000</i>
As at January 1, 2016	18,430
Provision for impairment of trade receivables recognised in profit or loss ( <i>Note 21 (b)</i> )	<u>16,109</u>
As at December 31, 2016	34,539
Provision for impairment of trade receivables recognised in profit or loss ( <i>Note 21 (b)</i> )	3,551
Written-off during the year as uncollectible	<u>(1,280)</u>
As at December 31, 2017	36,810
Provision for impairment of trade receivables recognised in profit or loss ( <i>Note 21 (b)</i> )	11,287
Written-off during the year as uncollectible	<u>(12)</u>
As at December 31, 2018	48,085
Provision for impairment of trade receivables recognised in profit or loss ( <i>Note 21 (b)</i> )	<u>1,248</u>
As at April 30, 2019	<u><u>49,333</u></u>

For the year ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the provision for loss allowances were recognised in the consolidated statements of comprehensive income in “net impairment losses on financial assets” in relation to impaired trade receivables.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the gross carrying amount of trade receivables were approximately RMB1,526,954,000, RMB1,982,546,000, RMB2,496,355,000 and RMB2,423,445,000 respectively, and thus the maximum exposure to loss was approximately RMB1,526,954,000, RMB1,982,546,000, RMB2,496,355,000 and RMB2,423,445,000 respectively.

(ii) *Notes receivable*

The Group applies the simplified approach to provide expected credit losses prescribed by IFRS 9, which permits the use of the lifetime expected loss provision for all notes receivable.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the impact of the expected loss rate for notes receivable is assessed to be insignificant. The loss allowance provision for notes receivable was not material during the Track Record Period.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the gross carrying amount of notes receivable were approximately RMB33,284,000, RMB70,752,000, RMB55,637,000 and RMB101,077,000 and thus the maximum exposure to loss was approximately RMB33,284,000, RMB70,752,000, RMB55,637,000 and RMB101,077,000, respectively.

*(iii) Other receivables*

The Group considers the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk the Group compares the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forwarding-looking information.

The Group uses four categories for other receivables, which reflect their credit risk and how the loss provision is determined for each of those categories.

A summary of the assumptions underpinning the Group's expected credit loss model is as follows:

<b>Category</b>	<b>Group definition of category</b>	<b>Basis for recognition of expected credit loss provision</b>
Performing	Customers have a low risk of default and a strong capacity to meet contractual cash flows	12 months expected losses. Where the expected lifetime of an asset is less than 12 months, expected losses are measured at its expected lifetime
Underperforming	Receivables for which there is a significant increase in credit risk; as significant increase in credit risk is presumed if interest and/or principal repayment are more than 30 days past due.	Lifetime expected losses
Non-performing	Customers has difficulties in making full payment despite numerous reminders; and if interest and/or principal repayments are 90 days past due.	Lifetime expected losses
Write-off	There is no reasonable expectation of recovery	Asset is written off

The Group accounts for its credit risk by appropriately providing for expected credit losses on a timely basis. In calculating the expected credit loss rates, the Group considers historical loss rates for each category of other receivables and adjusts for forward looking macroeconomic data.

To measure the expected credit losses of other receivables, other receivables have been grouped based on shared credit risk characteristics and the days past due. As at December 31, 2016, 2017 and 2018 and April 30, 2019, other receivables from YCIH Group and deposits were performing, the expected loss rate is around 0.5% with a carrying amount of RMB21,279,000, RMB29,802,000, RMB10,426,000 and RMB15,869,000 and the allowance provision was RMB103,000, RMB149,000, RMB52,000 and RMB79,000.

	Up to 1 year	1 to 2 years	2 to 3 years	3 to 4 years	4 to 5 years	Over 5 years	Total
<b>Other receivables</b>							
<b>(excluding other</b>							
<b>receivables from YCIH</b>							
<b>Group and deposits)</b>							
As at December 31, 2016							
Expected loss rate	1%	10%	20%	30%	50%	80%	8%
Gross carrying amount (RMB'000)	5,897	910	2,040	–	119	181	9,147
Loss allowance provision (RMB'000)	(59)	(91)	(408)	–	(60)	(145)	(763)
	<u>5,838</u>	<u>819</u>	<u>1,632</u>	<u>–</u>	<u>59</u>	<u>36</u>	<u>8,384</u>
As at December 31, 2017							
Expected loss rate	1%	10%	20%	30%	50%	80%	8%
Gross carrying amount (RMB'000)	9,946	5,427	835	2,040	–	53	18,301
Loss allowance provision (RMB'000)	(99)	(543)	(170)	(615)	–	(42)	(1,469)
	<u>9,847</u>	<u>4,884</u>	<u>665</u>	<u>1,425</u>	<u>–</u>	<u>11</u>	<u>16,832</u>
As at December 31, 2018							
Expected loss rate	1%	10%	20%	30%	50%	80%	14%
Gross carrying amount (RMB'000)	3,763	7,430	1,501	228	2,000	–	14,922
Loss allowance provision (RMB'000)	(38)	(743)	(300)	(68)	(1,000)	–	(2,149)
	<u>3,725</u>	<u>6,687</u>	<u>1,201</u>	<u>160</u>	<u>1,000</u>	<u>–</u>	<u>12,773</u>
As at April 30, 2019							
Expected loss rate	1%	10%	20%	30%	50%	80%	20%
Gross carrying amount (RMB'000)	4,630	808	5,464	1,179	2,721	22	14,824
Loss allowance provision (RMB'000)	(46)	(81)	(1,093)	(354)	(1,361)	(17)	(2,952)
	<u>4,584</u>	<u>727</u>	<u>4,371</u>	<u>825</u>	<u>1,360</u>	<u>5</u>	<u>11,872</u>



Since the actual loss rates for each type of the other receivables and the adjusts for forward looking macroeconomic data did not have significant change during the Track Record Period, the directors of the Company consider that the change in the expected credit loss rate for provision matrix is insignificant throughout the Track Record Period.

	<b>Provision for other receivables</b>
	<i>RMB'000</i>
As at January 1, 2016	619
Provision for impairment of other receivables recognised in profit or loss ( <i>Note 22 (b)</i> )	<u>247</u>
As at December 31, 2016	866
Provision for impairment of other receivables recognised in profit or loss ( <i>Note 22 (b)</i> )	<u>752</u>
As at December 31, 2017	1,618
Provision for impairment of other receivables recognised in profit or loss ( <i>Note 22 (b)</i> )	<u>583</u>
As at December 31, 2018	2,201
Provision for impairment of other receivables recognised in profit or loss ( <i>Note 22 (b)</i> )	<u>830</u>
As at April 30, 2019	<u><u>3,031</u></u>

For the year ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019, the provision for loss allowances were recognised in the consolidated statements of comprehensive income in “net impairment losses on financial assets” in relation to impaired other receivables.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the carrying amount of other receivables were approximately RMB30,426,000, RMB48,102,000, RMB25,348,000 and RMB30,693,000 respectively, and thus the maximum exposure to loss were approximately RMB30,426,000, RMB48,102,000, RMB25,348,000 and RMB30,693,000 respectively.

**(c) Liquidity risk**

The Group's objective is to maintain sufficient cash and sources of funding through committed credit facility and maintain flexibility in funding by maintaining committed credit lines. To manage the liquidity risk, management monitors rolling forecasts of the Group's liquidity reserve (comprising undrawn banking facilities) and cash and cash equivalents on the basis of expected cash flows. All the borrowings are in compliance with relevant covenant terms if any and the Group expected to fund the future cash flow needs through internally generated cash flows from operations and borrowings from financial institutions.

The table below analyses the Group's financial liabilities that will be settled on a gross basis into relevant maturity grouping based on the remaining period at the reporting date to the contractual maturity date. The amounts disclosed in the table are the contractual undiscounted cash flows.

Please refer to Note 31 for undrawn bank borrowings facilities.

Group	<b>Less than 1 year</b>	<b>Between 1 and 2 years</b>	<b>Between 2 and 5 years</b>	<b>Over 5 years</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at December 31, 2016</b>					
Lease liabilities	17,387	10,417	9,577	8,299	45,680
Financial liabilities included in trade and other payables	1,277,274	–	–	–	1,277,274
Borrowings	56,213	–	–	–	56,213
	<u>1,350,874</u>	<u>10,417</u>	<u>9,577</u>	<u>8,299</u>	<u>1,379,167</u>
<b>As at December 31, 2017</b>					
Lease liabilities	33,949	13,864	7,296	8,209	63,318
Financial liabilities included in trade and other payables	1,571,626	–	–	–	1,571,626
Borrowings	83,766	–	–	–	83,766
	<u>1,689,341</u>	<u>13,864</u>	<u>7,296</u>	<u>8,209</u>	<u>1,718,710</u>
<b>As at December 31, 2018</b>					
Lease liabilities	24,334	8,100	4,995	6,618	44,047
Financial liabilities included in trade and other payables	1,886,551	–	–	–	1,886,551
Borrowings	84,479	–	–	–	84,479
	<u>1,995,364</u>	<u>8,100</u>	<u>4,995</u>	<u>6,618</u>	<u>2,015,077</u>
<b>As at April 30, 2019</b>					
Lease liabilities	15,735	4,335	4,872	6,052	30,994
Financial liabilities included in trade and other payables	2,144,931	–	–	–	2,144,931
Borrowings	126,746	–	–	–	126,746
	<u>2,287,412</u>	<u>4,335</u>	<u>4,872</u>	<u>6,052</u>	<u>2,302,671</u>

## Company

	Less than 1 year	Between 1 and 2 years	Between 2 and 5 years	Over 5 years	Total
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>As at December 31, 2016</b>					
Lease liabilities	14,710	8,349	6,731	4,884	34,674
Financial liabilities included in trade and other payables	1,073,248	–	–	–	1,073,248
Borrowings	40,617	–	–	–	40,617
	<u>1,128,575</u>	<u>8,349</u>	<u>6,731</u>	<u>4,884</u>	<u>1,148,539</u>
<b>As at December 31, 2017</b>					
Lease liabilities	30,108	11,282	4,546	5,665	51,601
Financial liabilities included in trade and other payables	1,277,822	–	–	–	1,277,822
Borrowings	83,766	–	–	–	83,766
	<u>1,391,696</u>	<u>11,282</u>	<u>4,546</u>	<u>5,665</u>	<u>1,413,189</u>
<b>As at December 31, 2018</b>					
Lease liabilities	21,578	7,044	2,379	4,946	35,947
Financial liabilities included in trade and other payables	1,529,091	–	–	–	1,529,091
Borrowings	84,479	–	–	–	84,479
	<u>1,635,148</u>	<u>7,044</u>	<u>2,379</u>	<u>4,946</u>	<u>1,649,517</u>
<b>As at April 30, 2019</b>					
Lease liabilities	13,774	3,495	2,616	4,830	24,715
Financial liabilities included in trade and other payables	1,769,217	–	–	–	1,769,217
Borrowings	118,746	–	–	–	118,746
	<u>1,901,737</u>	<u>3,495</u>	<u>2,616</u>	<u>4,830</u>	<u>1,912,678</u>

**3.2 Capital risk management**

The Group's primary objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for equity holders. The Group manages its capital structure and makes adjustments to it, in light of changes in economic conditions. In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to equity holders, return capital to equity holders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on basis of the gearing ratio. This ratio is calculated as net debts divided by total capital. Net debts are calculated as per Note 33(b). Total capital is calculated as "equity" as shown in the consolidated statements of financial position plus net debts.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, total borrowings are much lower than cash and cash equivalents, accordingly, management of the Group considers the relevant risk is not significant.

**Group**

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Total borrowings (Note 31)	55,734	80,000	80,000	122,750
Add: Lease liabilities (Note 28)	37,591	54,660	37,220	26,610
Less: Cash and cash equivalents (Note 24)	(300,315)	(331,801)	(240,026)	(302,898)
Less: Restricted cash (Note 23)	(2,556)	(11,456)	(15,680)	(17,271)
Net cash (Note 33(b))	<u>(209,546)</u>	<u>(208,597)</u>	<u>(138,486)</u>	<u>(170,809)</u>
Total capital	<u>429,352</u>	<u>599,941</u>	<u>816,511</u>	<u>550,251</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the gearing ratio is not applicable due to net cash position.

**Company**

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Total borrowings (Note 31)	40,334	80,000	80,000	114,750
Add: Lease liabilities (Note 28)	28,875	45,003	30,615	21,389
Less: Cash and cash equivalents (Note 24)	(267,948)	(273,109)	(209,723)	(250,316)
Less: Restricted cash (Note 23)	(2,500)	(11,400)	(15,624)	(17,215)
Net cash	<u>(201,239)</u>	<u>(159,506)</u>	<u>(114,732)</u>	<u>(131,392)</u>
Total capital	<u>338,391</u>	<u>544,240</u>	<u>736,977</u>	<u>538,306</u>
Gearing ratio	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

As at December 31, 2016, 2017 and 2018 and April 30, 2019 the gearing ratio is not applicable due to net cash position.

### 3.3 Fair value estimation

The Group adopts the amendment to IFRS 7 for financial instruments that are measured in the consolidated statements of financial position at fair value, which requires disclosure of fair value measurements by level of the following fair value measurement hierarchy:

- Quoted prices (unadjusted) in active markets for identical assets or liabilities (level 1);
- Inputs other than quoted prices that are observable for the asset or liability, either directly (that is, as prices) or indirectly (that is, derived from prices) (level 2); and
- Inputs for the asset or liability that are not based on observable market data (that is, unobservable inputs) (level 3).

The Group did not have any financial assets or liabilities that are subsequently measured at fair value during the Track Record Period.

## 4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

### 4.1 Critical accounting estimates

Estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### *(a) Estimated useful lives and residual values of property, plant and equipment*

The Group's management determines the estimated useful lives, residual values and related depreciation charges for the Group's property, plant and equipment with reference to the estimated periods that the Group intends to derive future economic benefits from the use of these assets. Management will revise the depreciation charges where useful lives are different to that of previously estimated, or it will write-off or write-down technically obsolete or non-strategic assets that have been abandoned or sold. Actual economic lives may differ from estimated useful lives and actual residual values may differ from estimated residual values. Periodic review could result in a change in depreciable lives and residual values and therefore depreciation charges in future periods.

#### *(b) Current and deferred income tax*

The Group is subject to income taxes in different areas in the PRC. Judgement is required in determining the provision for income taxes in each of these jurisdictions. There are transactions and calculations during the ordinary course of business for which the ultimate tax determination is uncertain. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred income tax provisions in the period in which such determination is made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised when management considers it is probable that future taxable profits will be available against which the temporary differences or tax losses can be utilised. When the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and taxation charges in the period in which such estimate is changed.

#### *(c) Impairment of trade and other receivables*

The Group follows the guidance of IFRS 9 to determine when trade and other receivables are impaired. This determination requires significant judgement and estimation. In making this judgement and estimation, the Group evaluates, among other factors, the duration of receivables and the financial health collection history of individual debtors and expected future change of credit risks, including the consideration of factors such as general economy measure, change in macroeconomic indicators etc.

To measure the expected credit losses, trade and other receivables have been grouped based on shared credit risk characteristics and the ageing dates. The expected loss rates are based on the payment profiles of sales over a period of five years and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macro economic factors affecting the ability of the debtors to settle the receivables.

## 5 SEGMENT INFORMATION, REVENUE AND OTHER INCOME

### 5.1 Operating segment information

#### *Entity-wide disclosures*

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

#### *Geographical information*

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

### 5.2 Revenue

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Sales of ready-mixed concrete	2,374,563	3,068,086	3,294,261	1,053,681	914,410
Sales of polycarboxylic admixtures	17,399	30,267	38,336	11,460	10,833
Sales of aggregates	12,623	13,738	15,027	4,777	7,197
Quality and technology management service	–	–	9,493	–	5,547
	<u>2,404,585</u>	<u>3,112,091</u>	<u>3,357,117</u>	<u>1,069,918</u>	<u>937,987</u>

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

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

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

(b) Revenue from major customers for the Track Record Period is set out below:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Group A	1,956,741	2,618,001	2,459,814	870,166	576,463
Group B	25,932	35,685	134,835	14,454	91,423
Group C	141,434	107,709	88,567	36,144	22,016
	<u>2,124,107</u>	<u>2,761,395</u>	<u>2,683,216</u>	<u>920,764</u>	<u>689,902</u>

The customer portfolio of the Group is concentrated, which is consistent with the industry practice. Group A represents the customers under YCIH Group (Note 34(b)). If major customers substantially defaults in payment or terminates the business relationship with the Group, it could materially affect the Group's financial position and results of operations.

(c) *Contract liabilities*

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

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Contract liabilities related to sales of ready-mixed concrete	212	78,313	48,146	29,054

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

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

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Revenue recognised that was included in the contract liabilities balance at the beginning of the year/period – sales of ready-mixed concrete	278	212	38,313	30,950	27,428

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

- (ii) Contract liabilities represent advanced payments received from customers for products that have not yet been delivered to the customers. As at December 31, 2016, 2017 and 2018 and April 30, 2018 and 2019, the contract liabilities mainly included the advanced payments received from related-party customers for sales of ready-mixed concrete.

### 5.3 Other income

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Government grants ( <i>Note (a)</i> )	6,783	489	3,205	100	312
Rental income	–	104	1,329	312	200
Labour service income	2,618	2,011	687	243	–
	9,401	2,604	5,221	655	512

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

### 6 OTHER (LOSSES)/GAINS – NET

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
(Losses)/gains on disposal of property, plant and equipment	(157)	(609)	550	57	670
Others	(3,526)	(1,212)	264	(72)	(1,368)
	(3,683)	(1,821)	814	(15)	(698)



## 7 EXPENSES BY NATURE

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Raw materials and purchased goods consumed	1,509,455	1,963,515	2,171,454	701,458	618,823
Transportation expenses	132,558	222,355	255,700	85,379	68,664
Employee benefit expenses (Note 8)	195,105	229,741	253,904	77,245	76,375
Outsourcing costs	14,398	71,990	133,399	35,539	46,139
Lease expenses	75,466	143,940	91,813	36,031	16,556
Amortisation of land use rights (Note 13(a))	500	500	500	167	167
Depreciation of properties, plant and equipment (Note 14(a))	88,595	94,951	114,705	37,190	35,568
Depreciation of investment property (Note 15)	190	196	213	70	71
Amortisation of intangible assets (Note 16(a))	20	39	34	12	13
Net impairment losses on trade receivables (Note 21)	16,109	3,551	11,287	2,788	1,248
Net impairment losses on other receivables (Note 22)	247	752	583	335	830
Taxes and levies	16,744	18,765	19,012	5,578	4,965
Utilities and electricity	12,850	15,173	14,431	5,176	3,510
Maintenance expenses	8,586	9,350	10,143	2,752	2,544
Office expenses	5,260	7,244	6,959	2,325	2,010
Travelling expenses	5,573	7,170	6,858	1,463	1,695
Auditor's remuneration	782	1,804	1,244	67	67
Listing expenses	–	–	280	–	280
Miscellaneous	41,523	45,226	45,960	13,604	11,320
Total cost of sales, selling expenses, administrative expenses and net impairment losses on financial assets	<u>2,123,961</u>	<u>2,836,262</u>	<u>3,138,479</u>	<u>1,007,179</u>	<u>890,845</u>

## 8 EMPLOYEE BENEFIT EXPENSES (INCLUDING DIRECTORS AND SENIOR MANAGEMENT'S EMOLUMENTS)

## Group

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Salaries, wages and bonuses	164,870	184,776	188,702	59,672	55,398
Contributions to pension plans (Note (a))	8,083	11,775	22,646	7,469	9,517
Housing fund, medical insurance and other social insurance (Note (b))	10,922	15,594	26,552	8,410	9,292
Other benefits	11,230	17,596	16,004	1,694	2,168
	<u>195,105</u>	<u>229,741</u>	<u>253,904</u>	<u>77,245</u>	<u>76,375</u>

- (a) As stipulated by rules and regulations in the PRC, the Group contributes to state-sponsored retirement schemes for its employees in the PRC. The Group's employees make monthly contributions to the schemes at 8% of the relevant income (comprising wages, salaries, allowances and bonus, and subject to maximum caps), while the Group contributes 19% to 20% of such relevant expenses, subject to certain ceiling and has no further obligations for the actual payment of post-retirement benefits beyond the contributions. The state-sponsored retirement schemes are responsible for the entire post-retirement benefit obligations payable to the retired employees.
- (b) Employees of the Group in the PRC are entitled to participate in various government-supervised housing funds, medical insurance and other employee social insurance plan. The Group contributes on a monthly basis to these funds based on approximately 23% of the salaries of the employees, subject to certain ceiling. The Group's liability in respect of these funds is limited to the contributions payable in each period.

## 9 DIRECTORS' AND SENIOR MANAGEMENT'S EMOLUMENTS

### (a) Directors' and chief executives' emoluments

Directors' and chief executives' emoluments for the Track Record Period are set out as follows:

	Employer's contribution to					
	Fees	Salary	Discretionary bonuses	Benefit scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2016</b>						
<b>Executive directors</b>						
Mr. Ma Minchao (馬敏超) (i)	–	148	883	62	21	1,114
Mr. Liu Raohua (劉饒華) (ii)	–	148	633	62	13	856
Mr. Lu JianFeng (呂劍鋒) (xi)	–	104	595	54	18	771
Ms. Ge Ting (葛婷) (xii)	–	104	560	54	19	737
Ms. Xu Airong (徐愛蓉) (xiii)	–	44	560	–	40	644
Mr. Rao Ye (饒燁) (iii)	–	104	286	54	5	449
<b>Non-executive directors</b>						
Mr. He Jianqiang (何建強) (v)	–	–	–	–	–	–
Mr. Li Bin (李斌) (v)	–	–	–	–	–	–
Mr. Chang Hongbing (常紅兵) (x)	–	–	–	–	–	–
<b>Supervisors</b>						
Ms. Lin Tao (林濤) (viii)	–	–	–	–	–	–
Mr. Zou Weikun (鄒為昆) (viii)	–	74	435	46	14	569
Ms. Li Yan (李燕) (ix)	–	–	–	–	–	–
Mr. Wang Qing (王卿) (ix)	–	–	–	–	–	–
Ms. Chen Xiuzhen (陳秀珍) (ix)	–	102	40	41	49	232
	–	828	3,992	373	179	5,372

	Employer's contribution to					
	Fees	Salary	Discretionary bonuses	Benefit scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2017</b>						
<b>Executive directors</b>						
Mr. Ma Minchao (馬敏超) (i)	–	199	470	69	20	758
Mr. Liu Raohua (劉饒華) (ii)	–	199	415	69	13	696
Mr. Rao Ye (饒燁) (iii)	–	139	361	61	13	574
Ms. Hu Zhurong (胡珠榮) (iv)	–	67	–	20	4	91
<b>Non-executive directors</b>						
Mr. He Jianqiang (何建強) (v)	–	–	–	–	–	–
Mr. Liu Guangcan (劉光燦) (vi)	–	–	–	–	–	–
<b>Independent non-executive directors</b>						
Mr. Qian Jueshi (錢覺時) (vii)	3	–	–	–	–	3
Mr. Yu Dingming (于定明) (vii)	3	–	–	–	–	3
Mr. Na Chaohong(納超洪) (vii)	3	–	–	–	–	3
<b>Supervisors</b>						
Ms. Lin Tao (林濤) (viii)	–	–	–	–	–	–
Mr. Zou Weikun (鄒為昆) (viii)	–	97	214	51	13	375
Ms. Li Yan (李燕) (ix)	–	–	–	–	–	–
Mr. Chang Hongbin (常紅兵) (x)	–	–	–	–	–	–
Mr. Guo Huan (郭歡) (x)	–	105	160	45	12	322
	9	806	1,620	315	75	2,825

	Employer's contribution to					
	Fees	Salary	Discretionary bonuses	Benefit scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2018</b>						
<b>Executive directors</b>						
Mr. Ma Minchao (馬敏超) (i)	–	204	513	95	19	831
Mr. Liu Raohua (劉饒華) (ii)	–	204	513	95	13	825
Mr. Rao Ye (饒燁) (iii)	–	163	336	95	11	605
Ms. Hu Zhurong (胡珠榮) (iv)	–	204	224	95	19	542
<b>Non-executive directors</b>						
Mr. He Jianqiang (何建強) (v)	–	–	–	–	–	–
Mr. Liu Guangcan (劉光燦) (vi)	–	–	–	–	–	–
<b>Independent non-executive directors</b>						
Mr. Qian Jueshi (錢覺時) (vii)	96	–	–	–	–	96
Mr. Yu Dingming (于定明) (vii)	96	–	–	–	–	96
Mr. Na Chaohong(納超洪) (vii)	96	–	–	–	–	96
<b>Supervisors</b>						
Ms. Lin Tao (林濤) (viii)	–	–	–	–	–	–
Mr. Zou Weikun (鄒為昆) (viii)	–	102	260	95	15	472
Ms. Li Yan (李燕) (ix)	–	–	–	–	–	–
Mr. Chang Hongbin (常紅兵) (x)	–	–	–	–	–	–
Mr. Guo Huan (郭歡) (x)	–	130	82	79	13	304
	288	1,007	1,928	554	90	3,867

	Employer's contribution to					
	Fees	Salary	Discretionary bonuses	Benefit scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
(Unaudited)						
<b>Four months ended April 30, 2018</b>						
<b>Executive directors</b>						
Mr. Ma Minchao (馬敏超) (i)	–	66	80	23	5	174
Mr. Liu Raohua (劉饒華) (ii)	–	66	80	23	3	172
Mr. Rao Ye (饒燁) (iii)	–	46	56	20	3	125
Ms. Hu Zhurong (胡珠榮) (iv)	–	66	56	26	5	153
<b>Non-executive directors</b>						
Mr. He Jianqiang (何建強) (v)	–	–	–	–	–	–
Mr. Liu Guangcan (劉光燦) (vi)	–	–	–	–	–	–
<b>Independent non-executive directors</b>						
Mr. Qian Jueshi (錢覺時) (vii)	32	–	–	–	–	32
Mr. Yu Dingming (于定明) (vii)	32	–	–	–	–	32
Mr. Na Chaohong (納超洪) (vii)	32	–	–	–	–	32
<b>Supervisors</b>						
Ms. Lin Tao (林濤) (viii)	–	–	–	–	–	–
Mr. Zou Weikun (鄒為昆) (viii)	–	33	40	17	3	93
Ms. Li Yan (李燕) (ix)	–	–	–	–	–	–
Mr. Chang Hongbin (常紅兵) (x)	–	–	–	–	–	–
Mr. Guo Huan (郭歡) (x)	–	36	7	15	4	62
	96	313	319	124	23	875

	Employer's contribution to					
	Fees	Salary	Discretionary bonuses	Benefit scheme	Others	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Four months ended April 30, 2019</b>						
<b>Executive directors</b>						
Mr. Ma Minchao (馬敏超) (i)	–	68	80	31	8	187
Mr. Rao Ye (饒燁) (iii)	–	61	68	31	2	162
Ms. Hu Zhurong (胡珠榮) (iv)	–	68	56	31	5	160
Mr. Lu Jianfeng (呂劍鋒) (xi)	–	54	56	31	5	146
<b>Non-executive directors</b>						
Mr. He Jianqiang (何建強) (v)	–	–	–	–	–	–
Mr. Liu Guangcan (劉光燦) (vi)	–	–	–	–	–	–
<b>Independent non-executive directors</b>						
Mr. Yu Dingming (于定明) (vii)	32	–	–	–	–	32
Mr. Na Chaohong (納超洪) (vii)	32	–	–	–	–	32
<b>Supervisors</b>						
Mr. Wu Xinhe (吳新河) (xiv)	–	–	–	–	–	–
Ms. Li Yan (李燕) (ix)	–	–	–	–	–	–
Mr. Chang Hongbin (常紅兵) (x)	–	–	–	–	–	–
Mr. Guo Huan (郭歡) (x)	–	45	3	27	13	88
Ms. Li Na (李娜) (xiv)	–	45	3	26	5	79
	64	341	266	177	38	886

- (i) Mr. Ma Minchao was appointed as the chairman of the Board in December 2016.
- (ii) Mr. Liu Raohua was appointed as an executive director and the vice chairman of the Board in December 2016. Mr. Liu ceased being the director and vice chairman of the Board in March 2019.
- (iii) Mr. Rao Ye was appointed as an executive director of the Company in December 2016 and the vice chairman of the Board in February 2018.
- (iv) Ms. Hu Zhurong was appointed as an executive director and an employee director in December 2017.
- (v) Mr. He Jianqiang and Mr. Li Bin were appointed as non-executive directors of the Company in December 2016. Mr. Li ceased being the director in December 2017.
- (vi) Mr. Liu Guangcan was appointed as a non-executive director of the Company in December 2017.
- (vii) Mr. Qian Jueshi, Mr. Yu Dingming and Mr. Na Chaohong were appointed as independent non-executive directors in December 2017. Mr. Qian and Mr. Na ceased being the independent non-executive directors in March 2019 and September 2019, respectively.
- (viii) Ms. Lin Tao was appointed as the chairman of the Board of Supervisors in December 2016 and ceased being the chairman in March 2019. Mr. Zou Weikun ceased being the supervisors in March 2019.
- (ix) Ms. Li Yan, Mr. Wang Qing and Ms. Chen Xiuzhen were appointed as supervisors in December 2016. Mr. Wang and Ms. Chen ceased being the supervisors in December 2017.
- (x) Mr. Chang Hongbing was appointed as a non-executive director of the Company in December 2016 and ceased being the non-executive director in December 2017. Mr. Chang and Mr. Guo Huan were appointed as supervisors in December 2017.
- (xi) Mr. Lu Jianfeng was appointed as an executive director of the Company in December 2016 and ceased being the director in December 2017. Mr. Lu was re-appointed as an executive director in March 2019.
- (xii) Ms. Ge Ting was appointed as an employee representative director of the Company in December 2016 and a senior manager of the Company in February 2017. Ms. Ge ceased being the employee representative director in December 2017.
- (xiii) Ms. Xu Airong was appointed as an executive director of the Company in December 2016 and ceased being the director in December 2017.
- (xiv) Mr. Wu Xinhe was appointed as the chairman of the Board of Supervisors in March 2019 and Ms. Li Na was appointed as the supervisor in March 2019.
- (xv) Mr. Wong Kai Yan Thomas was appointed as an independent non-executive director of the Company at 25 September 2019.
- (xvi) Mr. Li Hongkun was appointed as an independent non-executive director of the Company at 20 September 2019.

**(b) Directors' retirement benefits**

There is no director's retirement benefits operated by the Group.

**(c) Directors' termination benefits**

There is no directors' termination benefits operated by the Group.

**(d) Consideration provided to third parties for making available directors' services**

During the Track Record Period, no consideration was provided to third parties for making available directors' services.

**(e) Information about loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors**

During the Track Record Period, there were no loans, quasi-loans and other dealings in favour of directors, bodies corporate controlled by or entities connected with directors.

**(f) Directors' material interests in transactions, arrangements or contracts**

No significant transactions, arrangements and contracts in relation to the Group's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year/period or at any time during the Track Record Period.

**(g) Five highest paid individuals**

The five individuals whose emoluments were the highest in the Group included 3, 3, 2, 3 and 3 directors during the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively, whose emoluments are reflected in the analysis shown in Note 9. The emoluments payable to the remaining 2, 2, 3, 2 and 2 individuals during the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, are as follows:

	For the year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Salaries, wages and bonuses	3,987	2,772	2,976	620	621
Contributions to pension plans and other social insurance	294	321	475	113	157
Other benefits	97	82	87	23	27
	<u>4,378</u>	<u>3,175</u>	<u>3,538</u>	<u>756</u>	<u>805</u>

The number of highest paid non-director individuals whose remuneration fell within the following bands is set out below:

	Number of individuals				
	For the years ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
				(Unaudited)	
Nil to HK\$1,000,000	<u>2</u>	<u>2</u>	<u>3</u>	<u>2</u>	<u>2</u>

## 10 FINANCE INCOME AND COSTS

## Group

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Interest income:					
– Bank deposits	377	398	359	155	75
– Deposits within a financial institution (Note 34(h))	246	732	788	252	207
Total finance income	<u>623</u>	<u>1,130</u>	<u>1,147</u>	<u>407</u>	<u>282</u>
Interest expenses:					
– Secured borrowings	(2,065)	(220)	–	–	–
– Guaranteed borrowings	(1,232)	(1,150)	(4,502)	(1,555)	(1,158)
– Unsecured bank borrowings	–	–	–	–	(591)
– Loans from controlling shareholder (Note 34(d))	(16,477)	–	–	–	–
– Lease liabilities	(2,677)	(3,822)	(3,619)	(1,413)	(726)
– Others	(1,762)	(1,077)	(617)	(83)	(1,341)
Total finance costs	<u>(24,213)</u>	<u>(6,269)</u>	<u>(8,738)</u>	<u>(3,051)</u>	<u>(3,816)</u>
Finance costs – net	<u>(23,590)</u>	<u>(5,139)</u>	<u>(7,591)</u>	<u>(2,644)</u>	<u>(3,534)</u>

## 11 INCOME TAX EXPENSE

## Group

The amounts of income tax expense charged to the consolidated statements of comprehensive income represent:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(Unaudited)	
Current income tax	70,678	51,131	38,405	9,810	9,013
Deferred income tax (Note 18)	(3,743)	1,248	(772)	701	(1,666)
Income tax expense	<u>66,935</u>	<u>52,379</u>	<u>37,633</u>	<u>10,511</u>	<u>7,347</u>

- (a) Under the Law of the PRC on Corporate Income Tax (the “CIT Law”) and implementation regulations of the CIT Law, the tax rate of the Group is 25% from January 1, 2008. The income tax rate of 25% is applicable to all of the Group’s subsidiaries during the Track Record Period, except for the Company that is qualified as a High-tech Enterprise and enjoys a preferential income tax rate of 15% as approved by the local tax authority for the years ended December 31, 2017, 2018 and year ending December 31, 2019.

## Group

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit before income tax	262,752	271,473	217,082	60,735	43,422
Tax calculated at the domestic CIT rate applicable	25%	25%	25%	25%	25%
	65,688	67,868	54,271	15,184	10,856
Tax effect of:					
Expenses not deductible for tax purpose	1,659	784	128	76	366
Additional deduction of research and development expenses incurred	(412)	(344)	(130)	(75)	(156)
Effect of preferential income tax rate of the Company	–	(19,315)	(15,425)	(4,674)	(2,443)
Effect of change in income tax rate	–	3,386	–	–	–
Additional expenses allowable for tax deduction	–	–	(1,211)	–	(1,276)
Income tax expense	66,935	52,379	37,633	10,511	7,347

## 12 EARNINGS PER SHARE

- (a) The basic earnings per share is calculated by dividing the profit attributable to the owners of the Company by the weighted average number of ordinary shares issued or deemed to be issued during the Track Record Period. The Company was converted to a joint stock company on December 22, 2017, 312,390,000 ordinary shares with par value of RMB1 each were issued and allotted to the respective shareholders of the Company according to the paid-in capital registered under these shareholders as at July 31, 2017 (being the reference date for the conversion of the Company into a joint stock limited liability company). This capitalisation of share capital is applied retrospectively during the Track Record Period for the purpose of computation of earnings per share.

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
Profit attributable to equity holders of the Company (RMB'000)	175,272	198,376	163,748	42,602	32,089
Weighted average number of ordinary shares in issue in thousands	261,222	312,390	312,390	312,390	312,390
Basic earnings per share (RMB)	0.67	0.64	0.52	0.14	0.10

- (b) The diluted earnings per share was the same as the basic earnings per share as there was no potential dilutive share issued during the Track Record Period.



## 13 LAND USE RIGHTS

## Group and Company

The Group and Company's interests in land use rights are recognised as right-of-use assets and represent prepaid operating lease payments for land located in the PRC, the net book values of which are analysed as follows:

	Year ended December 31,			Four months ended
				April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cost	25,022	25,022	25,022	25,022
Accumulated amortisation	(3,420)	(3,920)	(4,420)	(4,587)
Net book value	<u>21,602</u>	<u>21,102</u>	<u>20,602</u>	<u>20,435</u>
Opening net book value	22,102	21,602	21,102	20,602
Amortisation charges (Note 7)	(500)	(500)	(500)	(167)
Closing net book value	<u>21,602</u>	<u>21,102</u>	<u>20,602</u>	<u>20,435</u>

- (a) Amortisation of land use rights has been charged to the consolidated statements of comprehensive income (Note 7) as follows:

	Year ended December 31,			Four months ended	
				April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				<i>(unaudited)</i>	
Administration expenses	<u>500</u>	<u>500</u>	<u>500</u>	<u>167</u>	<u>167</u>

Land use rights with original cost amounting to RMB25,022,000 and appraisal value amounting to RMB68,305,000 owned by the Group has been pledged for secured bank borrowings of RMB40,000,000 as at December 31, 2016 (Note 31). Such secured bank borrowings have been repaid by the Group on February 4, 2017.

## 14 PROPERTY, PLANT AND EQUIPMENT

## Group

	Right-of-use assets-buildings and facilities	Right-of-use assets-machinery and equipment	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016									
Cost	38,558	2,702	208,188	155,751	110,825	4,454	868	4,394	525,740
Accumulated depreciation and impairment	(12,927)	(544)	(91,594)	(73,741)	(56,328)	(2,236)	(489)	-	(237,859)
Net book value	<u>25,631</u>	<u>2,158</u>	<u>116,594</u>	<u>82,010</u>	<u>54,497</u>	<u>2,218</u>	<u>379</u>	<u>4,394</u>	<u>287,881</u>

	Right-of-use assets-buildings and facilities	Right-of-use assets-machinery and equipment	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2016</b>									
Opening net book value	25,631	2,158	116,594	82,010	54,497	2,218	379	4,394	287,881
Additions	17,827	13,118	1,334	20,749	12,050	330	1,616	30,272	97,296
Transfer	-	-	24,388	8,968	-	558	250	(34,164)	-
Disposals	-	-	-	(110)	-	(1)	(61)	-	(172)
Depreciation (Note 7)	(11,022)	(6,194)	(33,473)	(22,534)	(13,601)	(855)	(916)	-	(88,595)
Closing net book value	32,436	9,082	108,843	89,083	52,946	2,250	1,268	502	296,410
<b>At December 31, 2016</b>									
Cost	56,385	14,519	233,910	184,500	116,369	5,319	2,111	502	613,615
Accumulated depreciation and impairment	(23,949)	(5,437)	(125,067)	(95,417)	(63,423)	(3,069)	(843)	-	(317,205)
Net book value	32,436	9,082	108,843	89,083	52,946	2,250	1,268	502	296,410
<b>Year ended December 31, 2017</b>									
Opening net book value	32,436	9,082	108,843	89,083	52,946	2,250	1,268	502	296,410
Additions	15,567	34,233	2,311	16,082	1,641	1,131	272	35,040	106,277
Transfer	-	-	28,929	5,770	-	25	40	(34,764)	-
Disposals	-	-	(8,135)	(43)	(35)	(1)	(17)	-	(8,231)
Transfer to investment property (Note 15)	-	-	(256)	-	-	-	-	-	(256)
Depreciation (Note 7)	(14,582)	(18,961)	(22,328)	(22,376)	(15,206)	(863)	(635)	-	(94,951)
Impairment	-	-	-	(2,335)	(146)	(4)	(172)	-	(2,657)
Closing net book value	33,421	24,354	109,364	86,181	39,200	2,538	756	778	296,592
<b>At December 31, 2017</b>									
Cost	58,322	42,938	243,418	202,838	117,297	6,419	1,712	778	673,722
Accumulated depreciation and impairment	(24,901)	(18,584)	(134,054)	(116,657)	(78,097)	(3,881)	(956)	-	(377,130)
Net book value	33,421	24,354	109,364	86,181	39,200	2,538	756	778	296,592
<b>Year ended December 31, 2018</b>									
Opening net book value	33,421	24,354	109,364	86,181	39,200	2,538	756	778	296,592
Additions	3,852	15,501	10,117	17,181	640	1,154	1,171	27,100	76,716
Transfer	-	-	23,799	3,095	-	56	-	(26,950)	-
Disposals	-	-	(298)	(96)	(18)	(12)	-	-	(424)
Transfer to investment property (Note 15)	-	-	(74)	-	-	-	-	-	(74)
Depreciation (Note 7)	(15,072)	(25,225)	(32,165)	(26,810)	(12,653)	(1,436)	(1,344)	-	(114,705)
Closing net book value	22,201	14,630	110,743	79,551	27,169	2,300	583	928	258,105

	Right-of-use assets-buildings and facilities	Right-of-use assets-machinery and equipment	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At December 31, 2018</b>									
Cost	53,909	58,438	265,194	210,554	117,515	7,465	2,869	928	716,872
Accumulated depreciation and impairment	(31,708)	(43,808)	(154,451)	(131,003)	(90,346)	(5,165)	(2,286)	-	(458,767)
Net book value	<u>22,201</u>	<u>14,630</u>	<u>110,743</u>	<u>79,551</u>	<u>27,169</u>	<u>2,300</u>	<u>583</u>	<u>928</u>	<u>258,105</u>
<b>For the four months ended April 30, 2019</b>									
Opening net book value	22,201	14,630	110,743	79,551	27,169	2,300	583	928	258,105
Additions	163	-	186	906	99	111	7	3,489	4,961
Transfer	-	-	1,453	742	-	22	-	(2,217)	-
Disposals	-	-	(563)	(227)	(12)	-	-	-	(802)
Depreciation (Note 7)	(4,468)	(6,641)	(11,552)	(9,085)	(3,282)	(405)	(135)	-	(35,568)
Closing net book value	<u>17,896</u>	<u>7,989</u>	<u>100,267</u>	<u>71,887</u>	<u>23,974</u>	<u>2,028</u>	<u>455</u>	<u>2,200</u>	<u>226,696</u>
<b>At April 30, 2019</b>									
Cost	52,887	15,613	248,410	211,619	117,003	7,573	2,876	2,200	658,181
Accumulated depreciation and impairment	(34,991)	(7,624)	(148,143)	(139,732)	(93,029)	(5,545)	(2,421)	-	(431,485)
Net book value	<u>17,896</u>	<u>7,989</u>	<u>100,267</u>	<u>71,887</u>	<u>23,974</u>	<u>2,028</u>	<u>455</u>	<u>2,200</u>	<u>226,696</u>

- (a) Depreciation of property, plant and equipment has been charged to the consolidated statements of comprehensive income as follows:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cost of sales	80,331	88,488	104,469	33,732	32,310
Administrative expenses	8,264	6,463	10,236	3,458	3,258
	<u>88,595</u>	<u>94,951</u>	<u>114,705</u>	<u>37,190</u>	<u>35,568</u>

- (b) As of the end of each of the reporting period, the Group is still in the process of applying for the building ownership certificates of certain of its buildings and the carrying amounts of those buildings amounted to approximately RMB23,428,000, RMB22,502,000, RMB21,576,000 and RMB21,267,000, respectively. Till the date of this report, no building ownership certificates had been obtained for those buildings.

## Company

	Right-of- use assets- buildings and facilities	Right-of- use assets- machinery and equipment	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2016</b>									
Cost	20,088	1,401	170,984	82,686	92,543	3,747	638	2,569	374,656
Accumulated depreciation and impairment	(6,021)	(58)	(87,188)	(49,431)	(52,435)	(2,029)	(427)	–	(197,589)
Net book value	<u>14,067</u>	<u>1,343</u>	<u>83,796</u>	<u>33,255</u>	<u>40,108</u>	<u>1,718</u>	<u>211</u>	<u>2,569</u>	<u>177,067</u>
<b>Year ended December 31, 2016</b>									
Opening net book value	14,067	1,343	83,796	33,255	40,108	1,718	211	2,569	177,067
Additions	17,036	12,747	382	15,918	11,483	128	979	18,962	77,635
Transfer	–	–	20,332	508	–	–	250	(21,090)	–
Disposals	–	–	–	(110)	–	(1)	(61)	–	(172)
Depreciation	(6,871)	(5,070)	(28,818)	(12,118)	(11,279)	(493)	(630)	–	(65,279)
Closing net book value	<u>24,232</u>	<u>9,020</u>	<u>75,692</u>	<u>37,453</u>	<u>40,312</u>	<u>1,352</u>	<u>749</u>	<u>441</u>	<u>189,251</u>
<b>At December 31, 2016</b>									
Cost	37,124	14,148	191,697	98,145	97,521	3,852	1,244	441	444,172
Accumulated depreciation and impairment	(12,892)	(5,128)	(116,005)	(60,692)	(57,209)	(2,500)	(495)	–	(254,921)
Net book value	<u>24,232</u>	<u>9,020</u>	<u>75,692</u>	<u>37,453</u>	<u>40,312</u>	<u>1,352</u>	<u>749</u>	<u>441</u>	<u>189,251</u>
<b>Year ended December 31, 2017</b>									
Opening net book value	24,232	9,020	75,692	37,453	40,312	1,352	749	441	189,251
Additions	11,777	34,232	579	11,065	1,321	906	266	18,932	79,078
Transfer	–	–	17,723	1,650	–	–	–	(19,373)	–
Disposals	–	–	(7,449)	(39)	(6)	(1)	(17)	–	(7,512)
Transfer to investment property (Note 15)	–	–	(256)	–	–	–	–	–	(256)
Depreciation	(11,686)	(18,898)	(16,455)	(11,165)	(12,932)	(215)	(473)	–	(71,824)
Impairment	–	–	–	(2,056)	(7)	(4)	(172)	–	(2,239)
Closing net book value	<u>24,323</u>	<u>24,354</u>	<u>69,834</u>	<u>36,908</u>	<u>28,688</u>	<u>2,038</u>	<u>353</u>	<u>–</u>	<u>186,498</u>
<b>At December 31, 2017</b>									
Cost	42,898	42,938	189,011	109,038	98,655	4,703	799	–	488,042
Accumulated depreciation and impairment	(18,575)	(18,584)	(119,177)	(72,130)	(69,967)	(2,665)	(446)	–	(301,544)
Net book value	<u>24,323</u>	<u>24,354</u>	<u>69,834</u>	<u>36,908</u>	<u>28,688</u>	<u>2,038</u>	<u>353</u>	<u>–</u>	<u>186,498</u>

	Right-of-use assets-buildings and facilities	Right-of-use assets-machinery and equipment	Buildings and facilities	Machinery and equipment	Motor vehicles	Electronic equipment	Other equipment	Construction in progress	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>Year ended December 31, 2018</b>									
Opening net book value	24,323	24,354	69,834	36,908	28,688	2,038	353	-	186,498
Additions	3,537	15,501	1,309	13,215	541	931	1,089	23,452	59,575
Transfer	-	-	20,475	2,023	-	56	-	(22,554)	-
Disposals	-	-	(298)	(72)	(4)	(11)	-	-	(385)
Transfer to investment property (Note 15)	-	-	(74)	-	-	-	-	-	(74)
Depreciation	(11,662)	(25,225)	(18,415)	(14,078)	(10,537)	(1,150)	(1,141)	-	(82,208)
Closing net book value	16,198	14,630	72,831	37,996	18,688	1,864	301	898	163,406
<b>At December 31, 2018</b>									
Cost	42,742	58,439	198,655	123,055	99,061	5,539	1,888	898	530,277
Accumulated depreciation and impairment	(26,544)	(43,809)	(125,824)	(85,059)	(80,373)	(3,675)	(1,587)	-	(366,871)
Net book value	16,198	14,630	72,831	37,996	18,688	1,864	301	898	163,406
<b>For the four months ended April 30, 2019</b>									
Opening net book value	16,198	14,630	72,831	37,996	18,688	1,864	301	898	163,406
Additions	102	-	-	874	99	102	7	3,236	4,420
Transfer	-	-	1,453	559	-	22	-	(2,034)	-
Disposals	-	-	(55)	(227)	(12)	-	-	-	(294)
Depreciation	(3,074)	(6,641)	(6,713)	(5,264)	(2,664)	(333)	(75)	-	(24,764)
Closing net book value	13,226	7,989	67,516	33,938	16,111	1,655	233	2,100	142,768
<b>At April 30, 2019</b>									
Cost	42,844	15,613	182,567	123,904	98,549	5,637	1,896	2,100	473,110
Accumulated depreciation and impairment	(29,618)	(7,624)	(115,051)	(89,966)	(82,438)	(3,982)	(1,663)	-	(330,342)
Net book value	13,226	7,989	67,516	33,938	16,111	1,655	233	2,100	142,768

## 15 INVESTMENT PROPERTIES

## Group and Company

	<b>Buildings and facilities</b>
	<i>RMB'000</i>
<b>At January 1, 2016</b>	
Cost	4,759
Accumulated depreciation	(1,696)
Net book value	<u>3,063</u>
<b>Year ended December 31, 2016</b>	
Opening net book value	3,063
Depreciation ( <i>Note 7</i> )	(190)
Closing net book value	<u>2,873</u>
<b>At December 31, 2016</b>	
Cost	4,759
Accumulated depreciation	(1,886)
Net book value	<u>2,873</u>
<b>Year ended December 31, 2017</b>	
Opening net book value	2,873
Additions	217
Transfer from property, plant and equipment ( <i>Note 14</i> )	256
Depreciation ( <i>Note 7</i> )	(196)
Closing net book value	<u>3,150</u>
<b>At December 31, 2017</b>	
Cost	5,307
Accumulated depreciation	(2,157)
Net book value	<u>3,150</u>
<b>Year ended December 31, 2018</b>	
Opening net book value	3,150
Transfer from property, plant and equipment ( <i>Note 14</i> )	74
Depreciation ( <i>Note 7</i> )	(213)
Closing net book value	<u>3,011</u>
<b>At December 31, 2018</b>	
Cost	5,404
Accumulated depreciation	(2,393)
Net book value	<u>3,011</u>
<b>For the four months ended April 30, 2019</b>	
Opening net book value	3,011
Depreciation ( <i>Note 7</i> )	(71)
Closing net book value	<u>2,940</u>
<b>At April 30, 2019</b>	
Cost	5,404
Accumulated depreciation	(2,464)
Net book value	<u>2,940</u>

Amounts recognised in profit and losses for investment properties:

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
Rental income	–	57	117	38	39
Direct operating expenses from property that generated rental income	–	6	14	4	5
Direct operating expenses from property that did not generate rental income	190	190	199	66	66

## 16 INTANGIBLE ASSETS

### Group and Company

	Purchased computer software
	RMB'000
<b>At January 1, 2016</b>	
Cost	219
Accumulated amortisation	(154)
Net book value	65
<b>Year ended December 31, 2016</b>	
Opening net book value	65
Amortisation (Note 7)	(20)
Closing net book value	45
<b>At December 31, 2016</b>	
Cost	220
Accumulated amortisation	(175)
Net book value	45
<b>Year ended December 31, 2017</b>	
Opening net book value	45
Additions	48
Amortisation (Note 7)	(39)
Closing net book value	54
<b>At December 31, 2017</b>	
Cost	268
Accumulated amortisation	(214)
Net book value	54

	<b>Purchased computer software</b>
	<i>RMB'000</i>
<b>Year ended December 31, 2018</b>	
Opening net book value	54
Amortisation ( <i>Note 7</i> )	(34)
Closing net book value	<u>20</u>
<b>At December 31, 2018</b>	
Cost	268
Accumulated amortisation	(248)
Net book value	<u>20</u>
<b>Four months ended April 30, 2019</b>	
Opening net book value	20
Additions	82
Amortisation ( <i>Note 7</i> )	(13)
Closing net book value	<u>89</u>
<b>At April 30, 2019</b>	
Cost	350
Accumulated amortisation	(261)
Net book value	<u>89</u>

- (a) Amortisation of intangible assets had been charged to the consolidated statements of comprehensive income (*Note 7*) as follows:

	<b>Year ended December 31,</b>			<b>Four months ended April 30,</b>	
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Administrative expenses	<u>20</u>	<u>39</u>	<u>34</u>	<u>12</u>	<u>13</u>

## 17 INVESTMENTS IN SUBSIDIARIES

### Company

	<b>As at December 31,</b>			<b>As at April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Investments at cost:</b>				
Unlisted shares	<u>98,416</u>	<u>98,416</u>	<u>149,278</u>	<u>149,278</u>

Particulars of the Company's subsidiaries are set out in *Note 1.2*.



## 18 DEFERRED INCOME TAX ASSETS

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Deferred income tax assets:				RMB'000
– to be recovered within 12 months	12,216	10,784	11,489	13,334
– to be recovered after more than 12 months	799	983	1,050	871
	<u>13,015</u>	<u>11,767</u>	<u>12,539</u>	<u>14,205</u>

Movements in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Impairment on property, plant and equipment	Tax losses carry forwards	Allowance for doubtful debts	Provision for close down, restoration and environmental cost	Provisions for inventory	Accrued expenses	Difference between accounting treatment and tax law on lease contract	Accelerated depreciation	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
At January 1, 2016	202	3,162	4,762	76	544	–	526	–	9,272
Recognised in the consolidated statements of comprehensive income	(23)	(2,724)	4,089	315	(2)	1,936	152	–	3,743
At December 31, 2016	179	438	8,851	391	542	1,936	678	–	13,015
Recognised in the consolidated statements of comprehensive income	231	753	(2,254)	377	(200)	(48)	(107)	–	(1,248)
At December 31, 2017	410	1,191	6,597	768	342	1,888	571	–	11,767
Recognised in the consolidated statements of comprehensive income	(51)	(1,191)	2,104	318	(202)	(1,613)	(40)	1,447	772
At December 31, 2018	359	–	8,701	1,086	140	275	531	1,447	12,539
Recognised in the consolidated statements of comprehensive income	–	–	530	120	(20)	(94)	(63)	1,193	1,666
At April 30, 2019	<u>359</u>	<u>–</u>	<u>9,231</u>	<u>1,206</u>	<u>120</u>	<u>181</u>	<u>468</u>	<u>2,640</u>	<u>14,205</u>

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Deferred income tax assets:				RMB'000
– to be recovered within 12 months	7,806	5,514	6,918	7,219
– to be recovered after more than 12 months	658	840	925	584
	<u>8,464</u>	<u>6,354</u>	<u>7,843</u>	<u>7,803</u>

Movements in deferred income tax assets during the Track Record Period, without taking into consideration the offsetting of balance within the same tax jurisdiction, are as follows:

Deferred income tax assets	Impairment on property, plant and equipment	Allowance for doubtful debts	Provision for close down, restoration and environmental cost	Accrued expenses	Difference between accounting treatment and tax law on lease contract	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
<b>At January 1, 2016</b>	202	3,802	61	–	377	4,442
Recognised in the consolidated statements of comprehensive income	(23)	2,705	305	888	147	4,022
<b>At December 31, 2016</b>	179	6,507	366	888	524	8,464
Recognised in the consolidated statements of comprehensive income	195	(1,992)	366	(560)	(119)	(2,110)
<b>At December 31, 2017</b>	374	4,515	732	328	405	6,354
Recognised in the consolidated statements of comprehensive income	(14)	1,291	308	(54)	(42)	1,489
<b>At December 31, 2018</b>	360	5,806	1,040	274	363	7,843
Recognised in the consolidated statements of comprehensive income	–	(16)	118	(94)	(48)	(40)
<b>At April 30, 2019</b>	<u>360</u>	<u>5,790</u>	<u>1,158</u>	<u>180</u>	<u>315</u>	<u>7,803</u>

## 19 FINANCIAL INSTRUMENTS BY CATEGORY

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Assets per consolidated statements of financial position</b>				
Financial assets carried at amortised cost				
– Trade and notes receivables (Note 21)	1,525,699	2,016,488	2,503,907	2,475,189
– Other receivables (Note 22)	29,560	46,484	23,147	27,662
– Restricted cash (Note 23)	2,556	11,456	15,680	17,271
– Cash and cash equivalents (Note 24)	300,315	331,801	240,026	302,898
	<u>1,858,130</u>	<u>2,406,229</u>	<u>2,782,760</u>	<u>2,823,020</u>

**Liabilities per consolidated statements of financial position**

Financial liabilities carried at amortised cost				
– Financial liabilities included in trade and other payables (Note 30)	1,277,274	1,571,626	1,886,551	2,144,931
– Borrowings (Note 31)	55,734	80,000	80,000	122,750
	<u>1,333,008</u>	<u>1,651,626</u>	<u>1,966,551</u>	<u>2,267,681</u>

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Assets per company statements of financial position</b>				
Financial assets carried at amortised cost				
– Trade and notes receivables (Note 21)	1,180,048	1,587,188	1,941,909	1,936,484
– Other receivables (Note 22)	40,408	58,795	43,718	83,868
– Restricted cash (Note 23)	2,500	11,400	15,624	17,215
– Cash and cash equivalents (Note 24)	267,948	273,109	209,723	250,316
	<u>1,490,904</u>	<u>1,930,492</u>	<u>2,210,974</u>	<u>2,287,883</u>

**Liabilities per company statements of financial position**

Financial liabilities carried at amortised cost				
– Financial liabilities included in trade and other payables (Note 30)	1,073,248	1,277,822	1,529,091	1,769,217
– Borrowings (Note 31)	40,334	80,000	80,000	114,750
	<u>1,113,582</u>	<u>1,357,822</u>	<u>1,609,091</u>	<u>1,883,967</u>

## 20 INVENTORIES

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Cost:</b>				
Raw materials	41,715	42,824	44,621	48,118
Spare parts	1,982	1,897	1,641	2,464
	43,697	44,721	46,262	50,582
<b>Provision for impairment loss:</b>				
Raw materials	(2,167)	(1,368)	(558)	(478)
<b>Inventories – net</b>	<b>41,530</b>	<b>43,353</b>	<b>45,704</b>	<b>50,104</b>

The cost of inventories recognised as cost of sales amounted to approximately RMB2,009,605,000, RMB2,708,304,000, RMB2,997,649,000, RMB968,729,000 and RMB852,340,000 for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019, respectively.

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Cost:</b>				
Raw materials	26,540	30,492	32,702	38,459
Spare parts	1,715	1,560	1,267	1,366
	28,255	32,052	33,969	39,825

No provision for inventories has been made during the Track Record Period.

## 21 TRADE AND NOTES RECEIVABLES

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Trade receivables – related parties (Note 34(m))	1,188,599	1,565,239	1,753,353	1,651,617
Trade receivables – third parties	338,355	417,307	743,002	771,828
	1,526,954	1,982,546	2,496,355	2,423,445

	As at December 31,			As at
				April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Less: Provision for impairment of receivables	(34,539)	(36,810)	(48,085)	(49,333)
Notes receivable – related parties (Note 34(m))	28,884	44,352	29,230	28,280
Notes receivable – third parties	4,400	26,400	26,407	72,797
<b>Trade and notes receivables – net</b>	<b>1,525,699</b>	<b>2,016,488</b>	<b>2,503,907</b>	<b>2,475,189</b>

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the fair values of trade and notes receivables of the Group approximated their carrying amounts.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, all the carrying amounts of trade and notes receivables were denominated in RMB.

As at December 31, 2018 and April 30, 2019, the notes receivable of third parties of RMB10,000,000 and RMB21,500,000 were pledged to the bank as a guarantee for the Group to obtain notes payable of RMB10,000,000 and RMB19,500,000, respectively.

#### Group

- (a) Aging analysis of trade and notes receivables at the respective balance sheet dates, based on the invoice dates, are as follows:

	As at December 31,			As at
				April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
– Within one year	1,221,313	1,808,556	1,998,087	1,994,948
– One year to two years	219,067	165,480	450,158	304,188
– Two years to three years	102,435	42,237	71,677	183,813
– Three years to four years	6,214	32,835	14,916	28,630
– Four years to five years	3,320	1,085	14,530	10,151
– Over five years	7,889	3,105	2,624	2,792
	<b>1,560,238</b>	<b>2,053,298</b>	<b>2,551,992</b>	<b>2,524,522</b>

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

- (b) The Group applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the life time expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. As at December 31, 2016, 2017 and 2018 and April 30, 2019, provisions of approximately RMB34,539,000, RMB36,810,000, RMB48,085,000 and RMB49,333,000 were made against trade receivables, respectively.

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

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Beginning of the year/period	18,430	34,539	36,810	36,810	48,085
Provision for impairment on trade receivables	16,109	3,551	11,287	2,788	1,248
Write-off for impairment on trade receivables	–	(1,280)	(12)	–	–
End of the year/period	<u>34,539</u>	<u>36,810</u>	<u>48,085</u>	<u>39,598</u>	<u>49,333</u>

#### Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Trade receivables – related parties	898,329	1,237,207	1,427,609	1,367,849
Trade receivables – third parties	278,584	312,946	508,825	534,152
	<u>1,176,913</u>	<u>1,550,153</u>	<u>1,936,434</u>	<u>1,902,001</u>
Less: Provision for impairment of receivables	<u>(25,749)</u>	<u>(29,327)</u>	<u>(37,662)</u>	<u>(36,714)</u>
Notes receivable – related parties	28,884	42,962	20,730	18,000
Notes receivable – third parties	–	23,400	22,407	53,197
<b>Trade and notes receivables – net</b>	<u>1,180,048</u>	<u>1,587,188</u>	<u>1,941,909</u>	<u>1,936,484</u>

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the fair values of trade and notes receivables of the Company approximated their carrying amounts.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, all the carrying amounts of trade and notes receivables were denominated in RMB.

**Company**

- (a) Aging analysis of trade and notes receivables at the respective balance sheet dates, based on the invoice dates, are as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
– Within one year	890,094	1,433,981	1,546,019	1,591,466
– One year to two years	195,794	113,494	342,213	194,955
– Two years to three years	99,703	33,744	63,786	149,721
– Three years to four years	6,195	31,736	12,114	25,845
– Four years to five years	3,252	966	13,451	9,217
– Over five years	10,759	2,594	1,988	1,994
	<u>1,205,797</u>	<u>1,616,515</u>	<u>1,979,571</u>	<u>1,973,198</u>

The Company did not hold these receivables as security.

- (b) The Company applies the simplified approach to provide for expected credit losses prescribed by IFRS 9, which permits the use of the life time expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward-looking information. As at December 31, 2016, 2017 and 2018 and April 30, 2019, provisions of approximately RMB25,749,000, RMB29,327,000, RMB37,662,000 and RMB36,714,000 were made against trade receivables, respectively.

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

	Year ended December 31,			Four months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	15,025	25,749	29,327	29,327	37,662
Provision/(reversal) for impairment on trade receivables	10,724	4,858	8,347	(4,695)	(948)
Write-off for impairment on trade receivables	–	(1,280)	(12)	–	–
End of the year/period	<u>25,749</u>	<u>29,327</u>	<u>37,662</u>	<u>24,632</u>	<u>36,714</u>

## 22 PREPAYMENTS AND OTHER RECEIVABLES

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Other receivables – related parties (Note 34(m))	12,016	23,440	2,322	3,483
Other receivables – third parties	18,410	24,662	23,026	27,210
	<u>30,426</u>	<u>48,102</u>	<u>25,348</u>	<u>30,693</u>
Less: Provision for impairment of receivables	<u>(866)</u>	<u>(1,618)</u>	<u>(2,201)</u>	<u>(3,031)</u>
Other receivables – net	<u>29,560</u>	<u>46,484</u>	<u>23,147</u>	<u>27,662</u>
Prepayments – listing expenses	–	–	11,207	25,945
Prepayments – others	7,815	11,522	19,444	12,136
Prepayments	<u>7,815</u>	<u>11,522</u>	<u>30,651</u>	<u>38,081</u>
Other current assets	–	834	5,968	5,958
<b>Prepayments and other receivables – net</b>	<u>37,375</u>	<u>58,840</u>	<u>59,766</u>	<u>71,701</u>

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the fair values of other receivables of the Group approximated their carrying amounts.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, all the carrying amounts of prepayments and other receivables were denominated in RMB, except for the carrying amount of prepayments of RMB4,821,000 was denominated in USD as at December 31, 2018 and the carrying amount of prepayments of RMB12,279,000 and RMB390,000 were denominated in USD and HKD as at April 30, 2019.

## Group

- (a) Aging analysis of prepayments and other receivables at the respective balance sheet dates, based on the invoice dates, are as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
– Within one year	28,724	46,757	47,014	60,811
– One year to two years	1,197	6,513	8,501	1,912
– Two years to three years	4,702	1,034	1,687	6,168
– Three years to four years	10	4,658	995	1,251
– Four years to five years	2,818	10	3,201	2,921
– Over five years	790	1,486	569	1,669
	<u>38,241</u>	<u>60,458</u>	<u>61,967</u>	<u>74,732</u>

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



- (b) To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As at December 31, 2016, 2017 and 2018 and April 30, 2019, provisions for impairment of approximately RMB866,000, RMB1,618,000, RMB2,201,000 and RMB3,031,000 were made against other receivables, respectively.

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

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	619	866	1,618	1,618	2,201
Provision for impairment on other receivables	247	752	583	335	830
End of the year/period	866	1,618	2,201	1,953	3,031

#### Company

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Other receivables – related parties	22,900	44,343	11,761	11,253
Other receivables – third party	17,788	15,225	17,524	21,893
	40,688	59,568	29,285	33,146
Less: Provision for impairment on other receivables	(280)	(773)	(1,044)	(1,885)
Other receivables – net	40,408	58,795	28,241	31,261
Prepayments – listing expenses	–	–	11,207	25,945
Prepayments – others	4,035	3,213	14,679	7,049
Prepayments	4,035	3,213	25,886	32,994
Dividends receivables	–	–	15,477	52,607
Other current assets	–	–	5,002	4,806
<b>Prepayments and other receivables – net</b>	<b>44,443</b>	<b>62,008</b>	<b>74,606</b>	<b>121,668</b>

As at December 31, 2016, 2017 and 2018 and April 30, 2019, the fair values of other receivables of the Group approximated their carrying amounts.

As at December 31, 2016, 2017 and 2018 and April 30, 2019, all the carrying amounts of prepayments and other receivables were denominated in RMB, except for the carrying amount of prepayments of RMB4,821,000 was denominated in USD as at December 31, 2018 and the carrying amount of prepayments of RMB12,279,000 and RMB390,000 were denominated in USD and HKD as at April 30, 2019.

### Company

- (a) Aging analysis of prepayments and other receivables at the respective balance sheet dates, based on the invoice dates, are as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
– Within one year	29,820	47,932	57,085	113,347
– One year to two years	1,727	9,850	13,704	412
– Two years to three years	2,661	929	1,642	6,140
– Three years to four years	4,410	2,617	1,536	1,251
– Four years to five years	6,070	10	1,160	780
– Over five years	35	1,443	523	1,623
	<u>44,723</u>	<u>62,781</u>	<u>75,650</u>	<u>123,553</u>

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

- (b) To measure the expected credit losses, other receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information. As at December 31, 2016, 2017 and 2018 and April 30, 2019, provisions of approximately, RMB280,000, RMB773,000, RMB1,044,000 and RMB1,885,000 were made against other receivables, respectively.

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

	Year ended December 31,			Four months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Beginning of the year/period	183	280	773	773	1,044
Provision for impairment on other receivables	97	493	271	507	841
End of the year/period	<u>280</u>	<u>773</u>	<u>1,044</u>	<u>1,280</u>	<u>1,885</u>

## 23 RESTRICTED CASH

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Restricted cash at banks	56	11,456	12,270	17,271
Restricted cash at a financial institution (Note 34(m))	2,500	–	3,410	–
Total	<u>2,556</u>	<u>11,456</u>	<u>15,680</u>	<u>17,271</u>

Restricted deposits represented cash set aside for the issuance of notes payable and provision for close down, restoration and environmental cost.

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Restricted cash at banks	–	11,400	12,214	17,215
Restricted cash at a financial institution	2,500	–	3,410	–
Total	<u>2,500</u>	<u>11,400</u>	<u>15,624</u>	<u>17,215</u>

Restricted deposits represented cash set aside for the issuance of notes payable and provision for close down, restoration and environmental cost.

## 24 CASH AND CASH EQUIVALENTS

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Cash at banks and on hand	60,214	139,144	97,655	124,101
Cash at a financial institution (Notes 24(c), 34(m))	240,101	192,657	142,371	178,797
Cash and cash equivalents	<u>300,315</u>	<u>331,801</u>	<u>240,026</u>	<u>302,898</u>

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Cash at banks and on hand	33,900	114,866	76,227	81,098
Cash at a financial institution	234,048	158,243	133,496	169,218
Cash and cash equivalents	<u>267,948</u>	<u>273,109</u>	<u>209,723</u>	<u>250,316</u>

(a) All cash and cash equivalents were denominated in RMB or USD.

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
RMB	300,315	331,801	239,875	302,826
USD	–	–	151	72
	<u>300,315</u>	<u>331,801</u>	<u>240,026</u>	<u>302,898</u>

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
RMB	267,948	273,109	209,572	250,244
USD	–	–	151	72
	<u>267,948</u>	<u>273,109</u>	<u>209,723</u>	<u>250,316</u>

(b) All cash at banks were deposits with original maturity within 3 months. The Group and the Company earned interest on cash at banks at bank deposit rates ranged from 0.3% to 0.35% during the Track Record Period.

(c) All deposits at a financial institution were deposited in Yunnan Construction and Investment Holding Group Financial Management Company Limited (“雲南建投集團財務有限公司”), a related company of the Group. It has original maturity within 3 months. The Group and the Company earned interest on deposits at a financial institution at deposit rates of 0.53% during the Track Record Period.

## 25 SHARE CAPITAL

## Group and Company

	As at December 31,			As at
	2016	2017	2018	April 30,
				2019
<b>Registered, issued and fully paid</b>				
Number of shares (in thousand)	N/A	312,390	312,390	312,390
Share capital (in RMB'000)	312,390	312,390	312,390	312,390

- (a) On June 19, 2007, the Company was established by Yunnan Construction Engineering Concrete Co., Ltd. (“YNJG Concrete”) (“雲南建工混凝土有限公司”) which was a subsidiary of YNJV under the supervision and regulation of Yunnan SASAC, with an initial registered capital of RMB10,000,000.
- (b) (i) Pursuant to a shareholder resolution on December 15, 2009, the Company’s registered capital was increased to RMB66,000,000, among which RMB33,660,000 was contributed by YNJV Concrete, and RMB32,340,000 was contributed by KMEIC, a new shareholder. Since then, YNJV Concrete held 51% equity interest and KMEIC held 49% equity interest in the Company.
- (ii) On July 28, 2011, pursuant to a shareholder resolution, 51% of the Company’s equity interest was transferred to YNJV at the consideration of RMB33,660,000.
- (iii) On December 27, 2016, pursuant to a shareholder resolution, YNJV, KMEIC and Yunnan Provincial Overseas Investment Co., Ltd. (“YOIC”) entered into a capital injection agreement to increase the share capital of the Company from RMB66,000,000 to RMB312,390,000, under which (i) YNJV contributed the Commercial Concrete Division and the four operating subsidiaries into the Company (the “Contribution”). Since the Commercial Concrete Division and the four operating subsidiaries were consolidated in the Historical Financial Information by using existing book value throughout the Track Record Period (Note 1.3), the Contribution only resulted in reclassification among the paid-in capital, capital surplus and retained earnings of RMB224,712,000; (ii) YOIC invested cash of RMB94,386,000 into the Company; (iii) YNJV assumed liability of RMB4,650,000 for the Company.

As a result of above transactions, the paid-in capital by YNJV increased from RMB33,660,000 to RMB228,600,000 and the capital surplus is RMB34,422,000. The paid-in capital by YOIC is RMB51,450,000 and the capital surplus is RMB42,936,000. The paid-in capital by KMEIC remained RMB32,340,000. Accordingly, the share percentage of YNJV, YOIC and KMEIC in the Company changed to 73.18%, 16.47% and 10.35%, respectively.

- (c) On December 22, 2017, the Company was converted from a limited liability company into a joint stock limited liability company with a share capital of RMB312,390,000. The Company issued and allotted 312,390,000 ordinary shares with par value of RMB1 each to the respective then shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at July 31, 2017.

## 26 RESERVES

## Group

	Capital surplus (Note 26(a)) <i>RMB'000</i>	Statutory reserve (Note 26(b)) <i>RMB'000</i>	Total <i>RMB'000</i>
<b>At January 1, 2016</b>	82,950	2,726	85,676
Capital injection and Contribution from equity holders of the Company (Note 25(b)(iii))	77,358	–	77,358
Deemed contribution from the then equity holder of the subsidiaries (Note (a)(ii))	6,650	–	6,650
Appropriation to statutory reserve	–	656	656
<b>At December 31, 2016</b>	166,958	3,382	170,340
Deemed contribution from equity holder of the Company (Note (a)(iii))	3,376	–	3,376
Payment for acquisition of a subsidiary under common control (Note 1.2(b))	(52,362)	–	(52,362)
Appropriation to statutory reserve (Note 27)	–	17,037	17,037
Appropriation to capital surplus upon the conversion of the Company into a joint stock limited liability company (Note a(iv), Note 27)	121,970	(12,766)	109,204
<b>At December 31, 2017</b>	239,942	7,653	247,595
Payment for acquisition of a subsidiary under common control (Note 1.2(b))	(18,215)	–	(18,215)
Appropriation to statutory reserve (Note 27)	–	16,419	16,419
<b>At December 31, 2018 and April 30, 2019</b>	<u>221,727</u>	<u>24,072</u>	<u>245,799</u>
<b>At December 31, 2017</b>	239,942	7,653	247,595
Payment for acquisition of a subsidiary under common control (Note 1.2(b))	(18,215)	–	(18,215)
<b>As at April 30, 2018 (Unaudited)</b>	<u>221,727</u>	<u>7,653</u>	<u>229,380</u>

## (a) Capital surplus

- (i) Under business combinations under common control, the Historical Financial Information incorporates the financial statements of the Commercial Concrete Division and the Operating Subsidiary as if they had been consolidated from the date when the consolidating entities or business first came under the control of the Yunnan SASAC.
- (ii) In 2016, YNJK invested RMB5,000,000 and RMB1,650,000 by cash into Baoshan Building Material and Yuxi Building Material respectively, and recorded the cash injections as capital surplus.
- (iii) Subsequent to the Contribution in 2016 detailed in note 25(b)(iii), the Company returned two buildings without ownership certificates to YCIH in 2017 with a consideration of RMB10,969,000, which were contributed by YNJK. The carrying amount of the two buildings was RMB7,593,000. The difference of RMB3,376,000 between the consideration and the carrying amount was recorded as a deemed contribution from YCIH.

- (iv) On December 22, 2017, the Company was converted from a limited liability company into a joint stock limited liability company with share capital of RMB312,390,000. The Company issued and allotted 312,390,000 ordinary shares with par value of RMB1 each to the respective shareholders of the Company in accordance with the proportion of their paid-in capital to the Company as at July 31, 2017. The Company has transferred retained earnings of RMB109,204,000 and statutory reserve of RMB12,766,000 into capital surplus.

**(b) Statutory reserve**

In accordance with the PRC Company Law and the articles of association of the PRC companies of the Group (the "PRC Companies"), the PRC Companies are required to allocate 10% of their profits attributable to the respective owners of the PRC Companies as set out in their statutory financial statements, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective PRC Companies. The appropriation to the reserve must be made before any distribution of dividends to the respective owners of the PRC Companies. The statutory surplus reserve can be used to offset previous year's losses, if any, and part of the statutory surplus reserve can be capitalised as the share capital of the respective PRC Companies provided that the amount of such reserve remaining after the capitalisation shall not be less than 25% of the share capital of the respective PRC Companies.

**Company**

	<b>Capital surplus (Note 26(a))</b>	<b>Statutory reserve (Note 26(b))</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2016</b>	–	2,726	2,726
Capital injection and Contribution from equity holders of the Company (a)	175,774	–	175,774
Appropriation to statutory reserve (Note 27)	–	656	656
<b>At December 31, 2016</b>	175,774	3,382	179,156
Deemed contribution from equity holder of the Company (Note 26(a)(iii))	3,376	–	3,376
Appropriation to statutory reserve (Note 27)	–	17,037	17,037
Appropriation to capital surplus upon the conversion of the Company into a joint stock limited liability company (Note 26(a)(iv))	121,970	(12,766)	109,204
<b>At December 31, 2017 and April 30, 2018 (Unaudited)</b>	301,120	7,653	308,773
Appropriation to statutory reserves (Note 27)	–	16,419	16,419
<b>At December 31, 2018 and April 30, 2019</b>	<u>301,120</u>	<u>24,072</u>	<u>325,192</u>

**(a) Capital surplus**

As mentioned in note 25(b)(iii), YNJC contributed the Commercial Concrete Division and four operating subsidiaries to the Company and YOIC invested cash to the Company. In accordance with relevant accounting principals and regulations applicable to PRC-enterprises, the Contribution was measured at fair value based on valuation reports from a qualified independent third party valuer, after being approved by relevant government authorities, in the Company's separate financial statements, while measured at the predecessor cost in the Group's consolidated financial statements (note 1.3). The capital surplus of the Company included RMB132,838,000 from the Contribution and RMB42,936,000 from the cash injection by YOIC.

## 27 RETAINED EARNINGS

	<u>Group</u>	<u>Company</u>
	<i>RMB'000</i>	<i>RMB'000</i>
<b>At January 1, 2016</b>	263,439	230,017
Profit for the year	175,272	125,662
Dividends to equity holders of the Company ( <i>Note 32</i> )	(82,227)	(82,227)
Deemed dividends to equity holders of the Company from the subsidiaries ( <i>Note 32</i> )	(28,648)	–
Capital injection from equity holders of the Company ( <i>Note 25(b)(iii)</i> )	(224,712)	(224,712)
Appropriation to statutory reserve ( <i>Note 26(b)</i> )	(656)	(656)
<b>At December 31, 2016</b>	<u>102,468</u>	<u>48,084</u>
Profit for the year	198,376	160,740
Deemed dividends to equity holders of the Company from the subsidiaries ( <i>Note 32</i> )	(468)	–
Appropriation to statutory reserve ( <i>Note 26(b)</i> )	(17,037)	(17,037)
Appropriation to other reserves upon the conversion of the Company into a joint stock limited liability company ( <i>Note 26(a)(iv)</i> )	(109,204)	(109,204)
<b>At December 31, 2017</b>	<u>174,135</u>	<u>82,583</u>
Profit for the year	163,748	147,963
Appropriation to statutory reserve ( <i>Note 26(b)</i> )	(16,419)	(16,419)
<b>At December 31, 2018</b>	<u>321,464</u>	<u>214,127</u>
Profit for the period	32,089	61,214
Dividends to equity holders of the Company ( <i>Note 32</i> )	(243,225)	(243,225)
<b>At April 30, 2019</b>	<u><u>110,328</u></u>	<u><u>32,116</u></u>
<b>At December 31, 2017</b>	174,135	82,583
Profit for the period	42,602	50,257
<b>At April 30, 2018 (Unaudited)</b>	<u><u>216,737</u></u>	<u><u>132,840</u></u>

## 28 LEASE LIABILITIES

## Group

	<u>As at December 31,</u>			<u>As at</u>
	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>April 30,</u>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<u>2019</u>
				<i>RMB'000</i>
Minimum lease payments due				
– Within one year	17,387	33,949	24,334	15,735
– Between one and two years	10,417	13,864	8,100	4,335
– Between two and five years	9,577	7,296	4,995	4,872
– Later than five years	8,299	8,209	6,618	6,052
	45,680	63,318	44,047	30,994
Less: future finance charges	(8,089)	(8,658)	(6,827)	(4,384)
Present value of lease liabilities	<u><u>37,591</u></u>	<u><u>54,660</u></u>	<u><u>37,220</u></u>	<u><u>26,610</u></u>



	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	14,899	31,130	21,655	13,058
Between one and two years	9,085	11,816	6,902	4,424
Between two and five years	7,308	5,464	3,601	3,419
Later than five years	6,299	6,250	5,062	5,709
	<u>37,591</u>	<u>54,660</u>	<u>37,220</u>	<u>26,610</u>

**Company**

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Minimum lease payments due				
– Within one year	14,710	30,108	21,578	13,774
– Between one and two years	8,349	11,282	7,044	3,495
– Between two and five years	6,731	4,546	2,379	2,616
– Later than five years	4,884	5,665	4,946	4,830
	<u>34,674</u>	<u>51,601</u>	<u>35,947</u>	<u>24,715</u>
Less: future finance charges	<u>(5,799)</u>	<u>(6,598)</u>	<u>(5,332)</u>	<u>(3,326)</u>
Present value of lease liabilities	<u>28,875</u>	<u>45,003</u>	<u>30,615</u>	<u>21,389</u>

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Within one year	12,764	27,867	19,382	11,393
Between one and two years	7,426	9,696	6,124	3,806
Between two and five years	5,290	3,399	1,513	1,590
Later than five years	3,395	4,041	3,596	4,600
	<u>28,875</u>	<u>45,003</u>	<u>30,615</u>	<u>21,389</u>

The Group leases various properties and equipment and these lease liabilities were measured at net present value of the lease payments during the lease terms that are not yet paid.

Extension options are included in a number of property leases across the Group. Extension options whether to be exercised are determined by the actual manufactory period.

Some property leases contain variable payment terms that are linked to volume of production. Variable lease payments that depend on volume of production are recognised in profit or loss in the period in which the condition that triggers those payments occurs, excluding minimising the fixed costs base for the volume of production which less than the agreed volume.

The total cash outflows for leases including payments of lease liabilities, payments of interest expenses on leases for the years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2018 and 2019 were RMB18,223,000, RMB31,031,000, RMB42,450,000, RMB11,987,000 and RMB11,966,000 respectively.

## 29 PROVISION FOR CLOSE DOWN, RESTORATION AND ENVIRONMENTAL COST

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Provision for close down, restoration and environmental cost	8,169	13,690	11,653	11,107
				<b>Environmental Restoration</b>
				<i>RMB'000</i>
At December 31, 2015				1,066
Additions for the year				6,861
Unwinding for the year				242
At December 31, 2016				8,169
Additions for the year				5,192
Unwinding for the year				329
At December 31, 2017				13,690
Reversals for the year				(3,636)
Additions for the year				1,259
Unwinding for the year				340
At December 31, 2018				11,653
Reversals for the period				(665)
Unwinding for the period				119
At April 30, 2019				11,107

As at December 31, 2017 and 2018 and April 30, 2019, according to related contract maturity, RMB800,000, RMB3,234,000 and RMB5,175,000 were reclassified into current liability respectively. Provision for close down, restoration and environmental cost represented the estimated amount and timing of future closure and restoration projects.

## Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	2019
Provision for close down, restoration and environmental cost	7,934	13,446	11,399	10,850

	<b>Environmental Restoration</b>
	<i>RMB'000</i>
At December 31, 2015	1,066
Additions for the year	6,652
Unwinding for the year	216
At December 31, 2016	7,934
Additions for the year	5,192
Unwinding for the year	320
At December 31, 2017	13,446
Reversals for the year	(3,636)
Additions for the year	1,259
Unwinding for the year	330
At December 31, 2018	11,399
Reversals for the period	(665)
Unwinding for the period	116
At April 30, 2019	<u>10,850</u>

As at December 31, 2017 and 2018 and April 30, 2019, according to related contract maturity, RMB800,000, RMB3,234,000 and RMB5,175,000 were reclassified into current liabilities. Provision for close down, restoration and environmental cost represented the estimated amount and timing of future closure and restoration projects.

### 30 TRADE AND OTHER PAYABLES

#### Group

	<b>As at December 31,</b>			<b>As at April 30,</b>
	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Notes payable	4,000	18,000	62,050	54,500
Trade payables – related parties (Note 34 (m))	186,138	230,640	145,918	147,534
Trade payables – third parties	812,217	1,052,591	1,470,721	1,496,777
Other payables – related parties (Note 34 (m))	138,778	135,648	74,601	71,166
Other payables – third parties	43,497	42,419	50,303	41,617
Staff salaries and welfare payable	72,558	82,132	84,556	88,752
Interest payable	70	129	148	515
Dividends payable (note b)	92,574	92,199	82,810	332,822
Accrued taxes other than income tax	86,379	70,899	31,480	20,677
	<u>1,436,211</u>	<u>1,724,657</u>	<u>2,002,587</u>	<u>2,254,360</u>

- (a) As at December 31, 2016, 2017 and 2018 and April 30, 2019, all trade and other payables of the Group were non-interest bearing, and their fair values, except for the staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.
- (b) All dividends payable due to the shareholders have been settled as at the date of this report.
- (c) At each of the end of the reporting periods, the Group's trade and other payables are denominated in RMB.

(d) Aging analysis of trade and other payables at the respective balance sheet dates is as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
– Within one year	1,224,720	1,547,999	1,632,689	1,511,703
– One year to two years	89,135	123,176	294,718	579,087
– Two years to three years	88,217	14,534	28,117	109,729
– Three years to four years	9,171	30,398	14,753	15,608
– Four years to five years	21,759	4,506	27,973	32,256
– Over five years	3,209	4,044	4,337	5,977
	<u>1,436,211</u>	<u>1,724,657</u>	<u>2,002,587</u>	<u>2,254,360</u>

#### Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Notes payable	10,000	18,000	62,050	54,500
Trade payables – related parties	278,646	308,157	203,785	218,164
Trade payables – third party	551,816	786,411	1,114,053	1,131,718
Other payables – related parties	144,736	74,267	73,675	70,170
Other payables – third party	23,859	26,730	30,787	26,332
Staff salaries and welfare payables	59,802	63,894	63,152	68,433
Interest payables	63	129	148	515
Dividends payable ( <i>note b</i> )	64,128	64,128	44,593	267,818
Accrued taxes other than income tax	52,447	37,300	27,842	16,465
	<u>1,185,497</u>	<u>1,379,016</u>	<u>1,620,085</u>	<u>1,854,115</u>

- (a) As at December 31, 2016, 2017 and 2018 and April 30, 2019, all trade and other payables of the Company were non-interest bearing, and their fair values, except for the staff salaries and welfare payables and accrued taxes other than income tax which are not financial liabilities, approximated their carrying amounts due to their short maturities.
- (b) All dividends payable due to the shareholder have been settled as at the date of this report.
- (c) At each of the end of the reporting period, the Group's trade and other payables are denominated in RMB.
- (d) Aging analysis of trade and other payables at the respective balance sheet dates is as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
– Within one year	994,440	1,235,671	1,344,061	1,022,705
– One year to two years	67,711	96,510	217,813	706,284
– Two years to three years	76,016	10,967	21,386	86,489
– Three years to four years	9,206	27,720	7,100	3,489
– Four years to five years	21,608	4,474	25,891	29,735
– Over five years	16,516	3,674	3,834	5,413
	<u>1,185,497</u>	<u>1,379,016</u>	<u>1,620,085</u>	<u>1,854,115</u>

## 31 BORROWINGS

## Group

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Non-current borrowings</b>				
Bank borrowings	4,000	–	–	–
Less: Non-current borrowings due within one year	(4,000)	–	–	–
<b>Total</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>–</b>
<b>Current borrowings</b>				
Bank borrowings guaranteed by YCIH (Note (b))	–	80,000	80,000	–
Secured bank borrowings (Note (b))	51,734	–	–	42,750
Unsecured bank borrowings	–	–	–	80,000
Non-current borrowings due within one year	4,000	–	–	–
<b>Total current borrowings</b>	<b>55,734</b>	<b>80,000</b>	<b>80,000</b>	<b>122,750</b>
<b>Total borrowings</b>	<b>55,734</b>	<b>80,000</b>	<b>80,000</b>	<b>122,750</b>

(a) All the borrowings were denominated in RMB.

(b) As at December 31, 2016, 2017 and 2018 and April 30, 2019, analysis of secured and guaranteed borrowings are as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
Secured by:				
Land use rights (Note 13)	40,000	–	–	–
Notes receivable	11,734	–	–	42,750
Guaranteed by:				
YCIH (i)	–	80,000	80,000	–
	<b>51,734</b>	<b>80,000</b>	<b>80,000</b>	<b>42,750</b>

(i) All guarantees from YCIH have been released on March 19, 2019.

(c) The maturity of borrowings is as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
On demand or within 1 year	55,734	80,000	80,000	122,750

(d) The weighted average effective interest rates for borrowings at each balance sheet date are as follows:

	As at December 31,			As at
	2016	2017	2018	April 30,
				2019
Borrowings	5.87%	5.78%	6.68%	5.66%

(e) The fair values of current borrowings equal their carrying amount as the discounting impact is not significant.

(f) The Group had the following bank borrowing facilities:

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Total facilities	49,800	100,000	275,000	105,000
Utilised facilities	(44,000)	(86,600)	(111,350)	(80,800)
Undrawn facilities	5,800	13,400	163,650	24,200

Undrawn facilities at the end of each reporting Period amounted to RMB5,800,000, RMB13,400,000, RMB163,650,000 and RMB24,200,000, respectively.

#### Company

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
Bank borrowings guaranteed by YCIH	–	80,000	80,000	–
Unsecured bank borrowings	–	–	–	80,000
Secured short-term borrowings	40,334	–	–	34,750
<b>Total current borrowings</b>	40,334	80,000	80,000	114,750
<b>Total borrowings</b>	40,334	80,000	80,000	114,750

## 32 DIVIDENDS

## (a) For the year ended December 31, 2016

	<b>Dividends declared to equity holders of the Company</b>	<b>Dividends declared to the non-controlling interests</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Company</b>			
Dividend declared during the year ended December 31, 2016	3,134	–	3,134
Special dividend upon the conversion of the Company into a joint stock limited liability company	62,593	–	62,593
Deemed distribution (i)	16,500	–	16,500
	<u>82,227</u>	<u>–</u>	<u>82,227</u>
<b>Subsidiaries</b>			
Dividend declared during the year ended December 31, 2016	11,172	10,100	21,272
Special dividend upon the conversion of the Company into a joint stock limited liability company	17,476	12,645	30,121
	<u>28,648</u>	<u>22,745</u>	<u>51,393</u>
<b>Group total dividends</b>	<u>110,875</u>	<u>22,745</u>	<u>133,620</u>

- (i) During the year ended December 31, 2016, the Commercial Concrete Division has paid comprehensive service fees amounting to RMB16,500,000 to the controlling shareholder which was considered as deemed dividend distributed to the then equity holder.
- (ii) During the year ended December 31, 2016, the Group settled dividends of RMB762,000 in cash which was declared for the year ended December 31, 2015.
- (iii) For dividends declared to Company's equity holders and the dividends declared to the then equity holders of subsidiaries during the year ended December 31, 2016, the Group settled RMB29,270,000 (including the comprehensive service fees) and RMB21,287,000 in cash during the years ended 2016 and 2018, respectively.
- (iv) For dividends declared to non-controlling interests during the year ended December 31, 2016, the Group settled RMB10,425,000, RMB375,000 and RMB377,000 in cash during the years ended December 31, 2016, 2017 and 2018 respectively. Dividends of RMB1,350,000 declared by Yuxi Building Material was not paid but reinvested into Yuxi Building Material, which is a non-cash transaction.

**(b) For the year ended December 31, 2017**

	<b>Dividends to the then equity holders of subsidiaries</b>	<b>Dividends to the non-controlling interests</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Subsidiaries</b>			
Dividend declared during the year ended December 31, 2017	468	–	468

- (i) For dividends RMB468,000 declared to the then equity holders of subsidiaries during the year ended December 31, 2017, all were settled in cash during the year ended December 31, 2017.

**(c) For the year ended 31 December 2018**

	<b>Dividends to Company's the then equity holders of subsidiaries</b>	<b>Dividends to the non-controlling interests</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Subsidiaries</b>			
Dividend declared during the year ended December 31, 2018	–	14,775	14,775

- (i) For dividends RMB14,775,000 declared to the non-controlling interests during the year ended December 31, 2018, the Group settled RMB2,500,000 in cash during the year ended December 31, 2018.

**(d) For the four months ended April 30, 2018 (Unaudited)**

	<b>Dividends to Company's the then equity holders of subsidiaries</b>	<b>Dividends to the non-controlling interests</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Subsidiaries</b>			
Dividend declared during the four months ended April 30, 2018	–	10,500	10,500



(e) For the four months ended April 30, 2019

	<b>Dividends declared to equity holders of the Company</b>
	<i>RMB'000</i>
<b>Company</b>	
Dividend declared during the four months ended April 30, 2019	243,225

For dividends RMB243,225,000 declared to the equity holders of the Company during the four months ended April 30, 2019, the Company settled RMB20,000,000 in cash during the four months ended April 30, 2019.

	<b>Dividends to Company's the then equity holders of subsidiaries</b>	<b>Dividends to the non-controlling interests</b>	<b>Total</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Subsidiaries</b>			
Dividend declared during the four months ended April 30, 2019	–	26,787	26,787

There was no cash settlement for dividends RMB26,787,000 declared to the non-controlling interests during the four months ended April 30, 2019.

The rates for dividends and the number of shares ranking for dividends are not presented as such information is considered not meaningful for the purpose of this report.

## 33 CASH GENERATED FROM/(USED IN) OPERATIONS

## (a) Reconciliation of profit before income tax to cash generated from/(used in) operations

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Profit for the year/period before income tax	262,752	271,473	217,082	60,735	43,422
Adjustments for:					
– Depreciation of property, plant and equipment (Note 14)	88,595	94,951	114,705	37,190	35,568
– Depreciation of investment properties (Note 15)	190	196	213	70	71
– Amortisation of intangible assets (Note 16)	20	39	34	12	13
– Amortisation of land use rights (Note 13)	500	500	500	167	167
– Finance costs (Note 10)	23,590	5,139	7,591	2,644	3,534
– Losses/(gains) on disposal of property, plant and equipment (Note 6)	157	609	(550)	(57)	(670)
	375,804	372,907	339,575	100,761	802,105
Changes in working capital:					
– Restricted cash (Note 23)	(2,556)	(8,900)	(4,224)	10,938	(1,591)
– Trade and other receivables	(535,916)	(558,317)	(481,484)	(84,932)	25,344
– Inventories (Note 20)	(20,566)	(1,823)	(2,351)	(2,402)	(4,400)
– Trade and other payables	477,789	305,512	297,354	(71,175)	(8,534)
Cash generated from/(used in) operations	294,555	109,379	148,870	(46,810)	92,924

## (b) Net debt reconciliation

This section sets out an analysis of net debt and the movements in net debt for each of the years/periods presented.

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000
Cash and cash equivalents	300,315	331,801	240,026	302,898
Restricted cash	2,556	11,456	15,680	17,271
Borrowings	(55,734)	(80,000)	(80,000)	(122,750)
Lease liabilities	(37,591)	(54,660)	(37,220)	(26,610)
Net cash	209,546	208,597	138,486	170,809

**APPENDIX I**

**ACCOUNTANT'S REPORT**

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
Cash and restricted cash	302,871	343,257	255,706	320,169
Gross debt – fixed interest rate	(51,734)	–	–	–
Gross debt – variable interest rate	(41,591)	(134,660)	(117,220)	(149,360)
<b>Net cash</b>	<b>209,546</b>	<b>208,597</b>	<b>138,486</b>	<b>170,809</b>

	Assets		Liabilities				Total
	Cash and cash equivalents	Restricted cash	Borrowings due within 1 year	Borrowings due after 1 year	Lease Liabilities due within 1 year	Lease Liabilities due after 1 year	
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	
Amounts as at January 1, 2016	32,737	–	(53,200)	(4,000)	–	(29,069)	(53,532)
Cash flows	267,578	2,556	(19,165)	–	18,223	–	269,192
Non-cash change							
– Acquisitions of lease incentives	–	–	–	–	–	(24,068)	(24,068)
– Interest expenses on lease liabilities	–	–	–	–	–	(2,677)	(2,677)
– Offset notes receivable	–	–	20,631	–	–	–	20,631
– Reclassification	–	–	(4,000)	4,000	(33,122)	33,122	–
<b>Amounts as at December 31, 2016</b>	<b>300,315</b>	<b>2,556</b>	<b>(55,734)</b>	<b>–</b>	<b>(14,899)</b>	<b>(22,692)</b>	<b>209,546</b>
Amounts as at January 1, 2017	300,315	2,556	(55,734)	–	(14,899)	(22,692)	209,546
Cash flows	31,486	8,900	(67,150)	–	31,031	–	4,267
Non-cash change							
– Acquisitions of lease incentives	–	–	–	–	–	(44,278)	(44,278)
– Interest expenses on lease liabilities	–	–	–	–	–	(3,822)	(3,822)
– Offset notes receivable	–	–	42,884	–	–	–	42,884
– Reclassification	–	–	–	–	(47,262)	47,262	–
<b>Amounts as at December 31, 2017</b>	<b>331,801</b>	<b>11,456</b>	<b>(80,000)</b>	<b>–</b>	<b>(31,130)</b>	<b>(23,530)</b>	<b>208,597</b>
Amounts as at January 1, 2018	331,801	11,456	(80,000)	–	(31,130)	(23,530)	208,597
Cash flows	(91,775)	4,224	(1,489)	–	42,450	–	(46,590)
Non-cash change							
– Acquisitions of lease incentives	–	–	–	–	–	(21,391)	(21,391)
– Interest expenses on lease liabilities	–	–	–	–	–	(3,619)	(3,619)
– Offset notes receivable	–	–	1,489	–	–	–	1,489
– Reclassification	–	–	–	–	(32,975)	32,975	–
<b>Amounts as at December 31, 2018</b>	<b>240,026</b>	<b>15,680</b>	<b>(80,000)</b>	<b>–</b>	<b>(21,655)</b>	<b>(15,565)</b>	<b>138,486</b>

	Assets		Liabilities				Total
	Cash and cash equivalents	Restricted cash	Borrowings due within 1 year	Borrowings due after 1 year	Lease Liabilities due within 1 year	Lease Liabilities due after 1 year	
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	
Amounts as at January 1, 2018	331,801	11,456	(80,000)	–	(31,130)	(23,530)	208,597
Cash flows	(117,023)	(10,938)	–	–	11,987	–	(115,974)
Non-cash change							
– Acquisitions of lease incentives	–	–	–	–	–	(11,769)	(11,769)
– Interest expenses on lease liabilities	–	–	–	–	–	(1,413)	(1,413)
– Reclassification	–	–	–	–	(14,416)	14,416	–
Amounts as at April 30, 2018 (unaudited)	<u>214,778</u>	<u>518</u>	<u>(80,000)</u>	<u>–</u>	<u>(33,559)</u>	<u>(22,296)</u>	<u>79,443</u>
Amounts as at January 1, 2019	240,026	15,680	(80,000)	–	(21,655)	(15,565)	138,486
Cash flows	62,872	1,591	(42,750)	–	11,966	–	33,679
Non-cash change							
– Acquisitions of lease incentives	–	–	–	–	–	(630)	(630)
– Interest expenses on lease liabilities	–	–	–	–	–	(726)	(726)
– Reclassification	–	–	–	–	(3,369)	3,369	–
Amounts as at April 30, 2019	<u>302,898</u>	<u>17,271</u>	<u>(122,750)</u>	<u>–</u>	<u>(13,058)</u>	<u>(13,552)</u>	<u>170,809</u>

### 34 RELATED PARTY TRANSACTIONS

Parties are considered to be related to the Group if the party has the ability, directly or indirectly, to exercise control or significant influence over the Group in making financial and operating decisions. YCIH is the Company's controlling shareholder. For the purpose of disclosures of related party transactions, to the extent possible, the Group has procedures in place to assist the identification of the immediate ownership structure of its customers and suppliers as to determine whether they are related parties.

The Company is controlled by YCIH, which is a government-related enterprise established in the PRC by Yunnan SASAC. In accordance with IAS 24 (Revised), "Related Party Disclosures", issued by the IASB, government-related entities and their subsidiaries, directly or indirectly controlled, jointly controlled or significantly influenced by the government are defined as related parties of the Group. On that basis, related parties include YCIH and its subsidiaries (other than the Group), entities controlled by Yunnan SASAC, other entities and corporations in which the Group is able to exercise significant influence and key management personnel of the Company and as well as their close family members. The Group's significant transactions and balances with the PRC government and other entities controlled, jointly controlled or significantly influenced by the PRC government mainly include deposits and borrowings, trade and other receivables, trade and other payables and cash and cash equivalents. The directors of the Company believe that the meaningful information of related party transactions has been adequately disclosed in the Historical Financial Information.

Management believes that all material related party transactions and balances, of which they are aware of, have been adequately disclosed. Sales of goods to related parties are at market prices or prices that are also available to other customers. The Group considers that these sales are activities in the ordinary course of business. In addition to the transactions detailed elsewhere in the Historical Financial Information, the Group had the following material transactions or balances with related parties.

- (a) The directors of the Company are of the view that the following parties/companies were related parties that had transactions or balances with the Group during the Track Record Period:

**List of related parties**

Name of related parties	Relationship with the Group
YCIH Group, including YCIH and its subsidiaries, as well as YNJG before its change into YCIH	Controlling shareholder of the Group
KMEIC Group, including KMEIC and its subsidiaries	A minority shareholder of the Company
Yongchang Investment Group, including Yongchang Investment Co., Ltd (保山市永昌投資開發(集團)有限公司) and its subsidiaries	Significant non-controlling interest

Save as disclosed elsewhere in this report, during the Track Record Period, the Group had the following significant transactions with related parties.

- (b) **Sales and purchase with related parties**

*YCIH Group*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Purchase of raw materials	200,024	243,043	166,912	39,172	28,312
Payment for construction service	22,641	8,614	16,933	416	2,503
Purchase of services	–	763	5,775	–	–
Purchase of equipment	–	14,207	320	269	212
	<u>222,665</u>	<u>266,627</u>	<u>189,940</u>	<u>39,857</u>	<u>31,027</u>
Sales of ready-mixed concrete	1,956,741	2,616,875	2,457,028	870,079	576,048
Sales of polycarboxylic admixtures	–	–	–	–	352
Sales of aggregates	–	1,126	2,786	87	63
	<u>1,956,741</u>	<u>2,618,001</u>	<u>2,459,814</u>	<u>870,166</u>	<u>576,463</u>

*Other related parties*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
				(unaudited)	
Sales of ready-mixed concrete					
– Yongchang Investment Group	2,035	18,179	20,467	14,705	–
– KMEIC Group	2	41	–	–	–
	<u>2,037</u>	<u>18,220</u>	<u>20,467</u>	<u>14,705</u>	<u>–</u>

## (c) Property leasing

*YCIH Group*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Property rental expenses charged by the YCIH Group	3,057	4,446	5,307	1,122	1,158

*Yongchang Investment Group*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
Property rental expenses charged by the Yongchang Investment Group	18	18	18	6	6

## (d) Loans from related parties

*YCIH Group*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
At beginning of the year/period	141,307	-	-	-	-
Settled during the year/period (non-cash transaction)	(141,307)	-	-	-	-
Interest accrued	16,477	-	-	-	-
Interest paid	(16,477)	-	-	-	-
At end of the year/period	-	-	-	-	-

In December 2016, after negotiation with the YCIH Group, receivables and payables between YCIH Group and the Company (the payables due to YCIH Group mainly borne interest rate from 6.5% to 9.35%) were settled by offsetting the balances.

## (e) Guarantees provided by related parties

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
YCIH Group	–	100,000	250,000	100,000	–

Bank facilities available to the Group were guaranteed by the controlling shareholder at December 31, 2017, 2018 and April 30, 2018.

All guarantees from the controlling shareholder have been released on March 19, 2019.

## (f) Deposits placed in a financial institution

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
YCIH Group	1,865,611	2,256,289	1,590,650	359,413	707,725

## (g) Deposits withdraw

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
YCIH Group	1,623,010	2,306,233	1,637,526	407,397	674,709

## (h) Interest income and expenses

*Interest income from deposits placed in a financial institution*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
YCIH Group	246	732	788	252	207

*Interest expenses from loans advanced from related parties*

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
YCIH Group (Note 34(d))	16,477	–	–	–	–
<b>(i) Acquisition of subsidiaries under common control</b>					
	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
YCIH Group (Note 1.2(b))	–	52,362	18,215	18,215	–
<b>(j) Service charge on discounting notes receivable</b>					
	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
YCIH Group	352	90	–	–	449
<b>(k) Borrowings from discounting notes receivable which were not derecognised</b>					
	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000 (unaudited)	RMB'000
YCIH Group	21,234	29,150	1,489	1,489	22,750



## (l) Dividends declared and paid

	Year ended December 31,			Four months ended April 30,	
	2016	2017	2018	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i> (unaudited)	<i>RMB'000</i>
<b>YCIH Group</b>					
– Dividends declared	109,339	468	–	–	177,992
– Dividends paid	29,270	468	19,752	–	20,000
<b>Yongchang Investment Group</b>					
– Dividends declared	18,207	–	8,000	8,000	24,464
– Dividends paid	8,000	–	–	–	–
<b>KMEIC Group</b>					
– Dividends declared	1,536	–	–	–	25,174
– Dividends paid	–	–	1,536	–	–

## (m) Balances arising from related party transactions

	As at December 31,			As at April 30,
	2016	2017	2018	2019
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
<b>Receivables from related parties</b>				
Trade receivables				
– YCIH Group	1,181,507	1,549,356	1,727,083	1,630,520
– Yongchang Investment Group	2,096	10,905	21,294	21,097
– KMEIC Group	4,996	4,978	4,976	–
	1,188,599	1,565,239	1,753,353	1,651,617
Other receivables				
– YCIH Group	12,016	23,440	2,302	3,463
– Yongchang Investment Group	–	–	20	20
	12,016	23,440	2,322	3,483
Notes receivable				
– YCIH Group	28,884	44,352	29,230	28,280
Deposits placed in a financial institution				
– YCIH Group (Note 23, Note 24)	242,601	192,657	145,781	178,797

	As at December 31,			As at
	2016	2017	2018	April 30,
	RMB'000	RMB'000	RMB'000	2019
				RMB'000
<b>Payables to related parties</b>				
Trade payables				
– YCIH Group	186,120	230,622	145,900	147,516
– Yongchang Investment Group	18	18	18	18
	<u>186,138</u>	<u>230,640</u>	<u>145,918</u>	<u>147,534</u>
Other payables				
– YCIH Group	138,778	135,648	74,601	71,166
	<u>138,778</u>	<u>135,648</u>	<u>74,601</u>	<u>71,166</u>
Borrowings				
– YCIH Group	11,734	–	–	–
	<u>11,734</u>	<u>–</u>	<u>–</u>	<u>–</u>
Dividends payables				
– YCIH Group	80,069	80,069	60,317	258,369
– Yongchang Investment Group	10,207	10,207	18,207	42,671
– KMEIC Group	1,536	1,536	–	25,174
	<u>91,812</u>	<u>91,812</u>	<u>78,524</u>	<u>326,214</u>
<b>Contract liabilities</b>				
– YCIH Group	2	78,267	45,185	24,359
	<u>2</u>	<u>78,267</u>	<u>45,185</u>	<u>24,359</u>

**(n) Key management compensation**

Key management includes directors (executive and non-executive), supervisors and senior management. The compensation paid or payable to key management for employee services is shown below:

	Year ended December 31,			Four months ended	
	2016	2017	2018	2018	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
				(unaudited)	
Salaries, wages and bonuses	7,817	6,105	7,401	1,586	1,599
Contributions to pension plans and other social insurance	651	791	1,314	277	425
Other benefits	271	272	287	79	92
	<u>8,739</u>	<u>7,168</u>	<u>9,002</u>	<u>1,942</u>	<u>2,116</u>

**35 EVENTS AFTER THE TRACK RECORD PERIOD**

Except as disclosed in Note 9(a) relating to resignation and appointment of directors and Note 30(b) relating to dividends payable settlement in this report, there are no other material subsequent events undertaken by the Company or the Group after 30 April 2019.

**III SUBSEQUENT FINANCIAL STATEMENTS**

No audited financial statements have been prepared by the Company and its subsidiaries in respect of any period subsequent to April 30, 2019 and up to the date of this report. Save as disclosed in this report, no dividend or distribution has been declared or made by the Company or any of the companies now comprising the Group in respect of any period subsequent to April 30, 2019.

**I.      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The information set forth in this Appendix does not form part of the “Accountant’s Report” from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, the reporting accountant of the Company, as set forth in Appendix I to this prospectus, and is included herein for illustrative purposes only.*

*The unaudited pro forma financial information should be read in conjunction with the section headed “Financial Information” in this prospectus and the “Accountant’s Report” set forth in Appendix I to this prospectus.*

**A.      UNAUDITED PRO FORMA STATEMENT OF ADJUSTED NET TANGIBLE ASSETS**

The following is an illustrative and pro forma statement of adjusted net tangible assets of the Group which has been prepared in accordance with Rule 4.29 of the Hong Kong Listing Rules and on the basis of the notes set out below for the purpose of illustrating the effect of the Global Offering as if it had taken place on April 30, 2019.

This unaudited pro forma adjusted net tangible assets of the Group has been prepared for illustrative purposes only and, because of its hypothetical nature, it may not give a true picture of the financial position of the Group had the Global Offering been completed as at April 30, 2019 or at any future date.

	Audited consolidated net tangible assets of the Group attributable to the equity holders of the Company as of April 30, 2019	Estimated net proceeds from the Global Offering	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company as at April 30, 2019	Unaudited pro forma adjusted net tangible assets of the Group attributable to the equity holders of the Company per Share	
	<i>RMB'000</i> <i>(Note 1)</i>	<i>RMB'000</i> <i>(Note 2)</i>	<i>RMB'000</i>	<i>RMB</i> <i>(Note 3)</i>	<i>Equivalent to HK\$</i> <i>(Note 4)</i>
Based on an Offer Price of HK\$2.76 per Share	668,428	239,713	908,141	2.03	2.37
Based on an Offer Price of HK\$3.51 per Share	668,428	325,830	994,258	2.23	2.60

*Notes:*

- (1) The audited consolidated net tangible assets information of the Group attributable to equity holders of the Company as of April 30, 2019 are extracted from the Accountant’s Report as set out in Appendix I to this prospectus, which is based on the audited consolidated net assets of the Group attributable to equity holders of the Company as of April 30, 2019 of approximately RMB668,517,000 with an adjustment for the intangible assets of the Group as at April 30, 2019 of approximately RMB89,000.

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**APPENDIX II                      UNAUDITED PRO FORMA FINANCIAL INFORMATION**

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- (2) The estimated net proceeds from the Global Offering are based on the indicative Offer Price of HK\$2.76 (equivalent to RMB2.37) and HK\$3.51 (equivalent to RMB3.01) per Offer Share, being the lower end and higher end of the stated offer price range respectively, after deduction of the estimated underwriting fees and other listing related expenses payable by the Company, and takes no account of any Shares which may be allotted and issued upon the exercise of the Over-allotment Option.
- (3) The unaudited pro forma adjusted net tangible assets of the Group attributable to equity holders of the Company as of April 30, 2019 per Share is arrived at after the adjustments referred to in the preceding paragraphs and on the basis that 446,272,000 Shares were in issue assuming that the Global Offering has been completed on April 30, 2019 but takes no account of any shares which may be issued upon the exercise of the Over-allotment Option.
- (4) For the purpose of this unaudited pro forma adjusted net tangible assets, the balance stated in Renminbi are converted into Hong Kong dollars at a rate of RMB0.8578 to HK\$1.00. No representation is made that any amount in Renminbi can be or could have been or may be converted at the above rates or any other rates at all.
- (5) No adjustment has been made to reflect any trading or other transactions of the Group entered into subsequent to April 30, 2019.

**B. ACCOUNTANT'S REPORT ON THE UNAUDITED PRO FORMA FINANCIAL INFORMATION**

*The following is the text of a report received from PricewaterhouseCoopers, Certified Public Accountants, Hong Kong, for the purpose of incorporation in this prospectus.*



羅兵咸永道

**INDEPENDENT REPORTING ACCOUNTANT'S ASSURANCE REPORT ON THE COMPILATION OF UNAUDITED PRO FORMA FINANCIAL INFORMATION****To the Directors of YCIH Green High-Performance Concrete Company Limited**

We have completed our assurance engagement to report on the compilation of unaudited pro forma financial information of 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, the “**Company**”) and its subsidiaries (collectively the “**Group**”) by the directors for illustrative purposes only. The unaudited pro forma financial information consists of the unaudited pro forma statement of adjusted net tangible assets of the Group as at April 30, 2019, and related notes (the “Unaudited Pro Forma Financial Information”) as set out on pages II-1 to II-2 of the Company’s prospectus dated October 21, 2019, in connection with the proposed initial public offering of the shares of the Company. The applicable criteria on the basis of which the directors have compiled the Unaudited Pro Forma Financial Information are described on pages II-1 to II-2.

The Unaudited Pro Forma Financial Information has been compiled by the directors to illustrate the impact of the proposed initial public offering on the Group’s financial position as at April 30, 2019 as if the proposed initial public offering had taken place at April 30, 2019. As part of this process, information about the Group’s financial position has been extracted by the directors from the Group’s financial information for the four months ended April 30, 2019, on which an accountant’s report has been published.

**Directors’ Responsibility for the Unaudited Pro Forma Financial Information**

The directors are responsible for compiling the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “Listing Rules”) and with reference to Accounting Guideline 7 *Preparation of Pro Forma Financial Information for Inclusion in Investment Circulars* (“AG 7”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”).

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**Our Independence and Quality Control**

We have complied with the independence and other ethical requirements of the *Code of Ethics for Professional Accountants* issued by the HKICPA, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Control 1 issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

**Reporting Accountant's Responsibilities**

Our responsibility is to express an opinion, as required by paragraph 4.29(7) of the Listing Rules, on the Unaudited Pro Forma Financial Information and to report our opinion to you. We do not accept any responsibility for any reports previously given by us on any financial information used in the compilation of the Unaudited Pro Forma Financial Information beyond that owed to those to whom those reports were addressed by us at the dates of their issue.

We conducted our engagement in accordance with Hong Kong Standard on Assurance Engagements 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the HKICPA. This standard requires that the reporting accountant plans and performs procedures to obtain reasonable assurance about whether the directors have compiled the Unaudited Pro Forma Financial Information in accordance with paragraph 4.29 of the Listing Rules and with reference to AG 7 issued by the HKICPA.

For purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Unaudited Pro Forma Financial Information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Unaudited Pro Forma Financial Information.

The purpose of unaudited pro forma financial information included in a prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted financial information of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the proposed initial public offering at April 30, 2019 would have been as presented.

A reasonable assurance engagement to report on whether the unaudited pro forma financial information has been properly compiled on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the directors in the compilation of the unaudited pro forma financial information provide a reasonable basis for presenting the significant effects directly attributable to the event or transaction, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The unaudited pro forma financial information reflects the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on the reporting accountant's judgment, having regard to the reporting accountant's understanding of the nature of the company, the event or transaction in respect of which the unaudited pro forma financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the unaudited pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### **Opinion**

In our opinion:

- (a) the Unaudited Pro Forma Financial Information has been properly compiled by the directors of the Company on the basis stated;
- (b) such basis is consistent with the accounting policies of the Group; and
- (c) the adjustments are appropriate for the purposes of the Unaudited Pro Forma Financial Information as disclosed pursuant to paragraph 4.29(1) of the Listing Rules.

**PricewaterhouseCoopers**  
Certified Public Accountants  
Hong Kong, October 21, 2019



This appendix contains a summary of laws and regulations of Hong Kong and PRC governing taxation and foreign exchange.

## PRC TAXATION

### Taxation on PRC Company

#### *Enterprise Income tax*

Pursuant to the Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (Order No. 63 of the President of PRC, hereinafter referred to as the EIT Law) (promulgated by the National People's Congress on March 16, 2007 and came into effect on January 1, 2008 and revised on December 29, 2018) and the Implementation Regulations on the EIT Law (《企業所得稅法實施條例》) (Order No. 512 of the State Council, hereinafter referred to as Regulations on the Implementation of the EIT Law) (issued by the State Council on December 6, 2007 and came into effect on January 1, 2008), the tax rate is 25%. Non-resident enterprises which have establishments or premises of business in China are subject to EIT on their income sourced from China by the aforesaid establishments or premises and on their income sourced from outside China which is effectively connected with those. For those non-resident enterprises that do not have establishments or premises of business in China, or have establishments or premises of business in China but related income is not connected with such establishments or premises of business, the tax rate of 20% is applicable to them. High-tech Enterprises given priority support by the state are subject to a reduced 15% enterprise income tax rate. Currently, the Company enjoys the preferential tax treatment.

#### **Value-added Tax**

According to the Interim Regulation on Value Added Tax of the PRC (《中華人民共和國增值稅暫行條例》) promulgated by the State Council on November 19, 2017, entities and individuals selling goods, providing labor services of processing, repairs or maintenance, or selling services, intangible assets or real property in PRC, or importing goods to PRC, shall be identified as taxpayers of value-added tax, and shall be subject to a 17% tax rate unless otherwise provided in such Regulation.

Pursuant to Notice on Adjusting Value-added Tax Rates (《關於調整增值稅稅率的通知》) (Cai Shui [2018] No. 32) issued by the MOF and SAT on April 4, 2018 and effective from May 1, 2018, the tax rate of taxable sales activities shall be adjusted to 16% or 10%. Pursuant to Announcement on Relevant Policies for Deepening Value-Added Tax Reform (《關於深化增值稅改革有關政策的公告》) issued by the MOF, SAT and General Administration Customs. On March 20, 2019 and effective from April 1, 2019, with respect to VAT taxable sales or imported goods of a VAT general taxpayer, where the VAT rate of 16% applied currently, it shall be adjusted to 13%; the currently applicable VAT rate of 10% shall be adjusted to 9%.

Pursuant to Administrative Measures for the Registration of VAT General Taxpayers (《增值稅一般納稅人登記管理辦法》) promulgated by SAT on December 29, 2017 and took effect on February 1, 2018, VAT taxpayers with an annual taxable sales amount exceeding the threshold set for small-scale taxpayers by the Ministry of Finance and the SAT shall register as general taxpayers with the competent tax authorities, unless otherwise provided in the Measures. Taxpayer shall, as from the date of effectiveness of a General Taxpayer, calculate the amount of payable tax according to the general taxation method for value added tax.

According to the Notice on the Low VAT Rate Applicable to Certain Goods and the Policy of Levying VAT with Simple Measures (Cai Shui [2009] No. 9) issued on January 19, 2009, the VAT shall be calculated and paid at the rate of 6% according to a simplified method for the general taxpayer sells the following goods that are self-produced: (1) electricity produced by small hydropower units at county level or below. Small hydropower units refer to small hydropower units with an installed capacity of 50,000 kW or less (including 50,000 kW) constructed by various types of investment entities; (2) sand, soil and stone materials used for construction and production of building materials; (3) bricks, tiles, limes (without clay solid bricks, tiles) continuously produced from self-extracted sand, soil, stone or other minerals; (4) biological products made of microorganisms, microbial metabolites, animal toxins, blood or tissue of human or animal; (5) tap water; (6) commercial concrete (only for cement concrete produced from cement). General taxpayers who choose a simple method to calculate and pay VAT may not change it within 36 months.

And According to Notice on the Policy of Simplifying and Merging the Levying Rate of VAT (Cai Shui [2014] No. 57) issued on June 13, 2014 by the MOF and SAT, for the aforesaid items the VAT shall be adjusted at the levying rate of 3%.

### **Stamp Duty**

Under the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) which became effective on October 1, 1988, and amended on January 8, 2011 and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》) came into effect on October 1, 1988, PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Pursuant to the stamp duty schedule, the stamp duty rate applicable to construction and installation project contracts will be 0.03% of the contractual amount.

### **Taxation on Dividends**

In accordance with the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法》) (hereinafter referred to as "IIT Law") which was implemented on September 10, 1980, last amended on August 31, 2018 and came into effect on January 1, 2019, and the Regulations for the Implementation of the Individual Income Tax Law of the People's Republic of China (《中華人民共和國個人所得稅法實施條例》) revised on December 18, 2018 and came into effect on January 1, 2019, dividends paid on the H shares by PRC companies to individual investors shall general be subject to withholding tax at a rate of 20%.

And according to the Notice on Issues concerning the Implementation of Differential Individual Income Tax Policies on Dividends and Bonuses of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101) issued by the MOF on September 7, 2015, where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is more than one year, the dividend incomes shall be exempted from personal income tax. Where an individual acquires the stocks of a listed company from public offering of the company or from the stock market, if the stock holding period is one month or less, the income from dividends shall be included into the taxable incomes in full amount; if the stock holding period is more than one month and up to one year, the dividend income shall be included into the taxable incomes at the reduced rate of 50% for the time being. Individual income taxes on the aforesaid incomes shall be collected at the uniform rate of 20%.

Pursuant to the Notice of the SAT on Issues Concerning Taxation and Administration of Individual Income Tax After the Repeal of the Document (《國家稅務總局關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) issued by the SAT on June 28, 2011, the overseas resident individual shareholders of a domestic non-foreign-invested enterprise which issued stocks in Hong Kong are entitled to relevant preferential tax treatments in accordance with the tax treaties entered into by and between the countries they came from and PRC as well as the taxation arrangement between the Mainland China and Hong Kong (Macau). The individual income tax shall be withheld at a preferential tax rate of 10% generally for dividends paid to overseas resident individual shareholders by the domestic non-foreign-invested enterprise which issued stocks in Hong Kong. For individual shareholders receiving dividends who are tax residents of countries that have entered into a tax treaty with the PRC with tax rates lower than 10%, the distributing non-foreign-invested enterprise whose shares are listed in Hong Kong may apply on behalf of such holders for enjoying the lower preferential tax rate, and, upon approval by the tax authorities, the surplus amount will be refunded. For individual shareholders receiving dividends who are tax residents of countries that have entered into a tax treaty with the PRC that provides for tax rates higher than 10% but lower than 20%, the non-foreign-invested enterprise is required to withhold the tax at the applicable rate under the treaties, and no application procedure is required. For individual shareholders receiving dividends who are tax residents of countries without taxation treaties with the PRC, the non-foreign-invested enterprise is required to withhold the tax at a rate of 20%.

Pursuant to the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region for the Avoidance of Double Taxation and the Prevention of Fiscal Evasion Regarding Income Tax (《內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排》) signed on August 21, 2006, the PRC government may impose tax on dividends paid to a Hong Kong resident by a PRC company, but such tax amount shall not exceed 10% of the gross amount of the dividends payable. If a Hong Kong resident directly holds at least 25% equity interest in a PRC company, such tax amount shall not exceed 5% of the total dividends payable by the PRC company. The Fourth Protocol of the Arrangement between the Mainland of China and the Hong Kong Special Administrative Region on the Avoidance of Double Taxation and the Prevention of Fiscal Evasion issued by the SAT (《國家稅務總局關於〈內地和香港特別行政區關於對所得避免雙重徵稅和防止偷漏稅的安排〉第四議定書》) (SAT Announcement [2015] No. 12) became effective on December 29, 2015 states that such provisions shall not apply to arrangement made for the primary purpose of gaining such tax benefit.

### **Taxation on Transfer of Shares**

#### *Individual Investors*

Pursuant to the IIT Law and its implementation rules, individuals are subject to individual income tax at the rate of 20% on gains realized on the sale of equity interests in PRC resident enterprises. However, under the Circular of the MOF and SAT on Declaring that Individual Income Tax Continues to Be Exempted over Individual Income Tax from Transfer of Shares (《財政部、國家稅務總局關於個人轉讓股票所得繼續暫免徵收個人所得稅的通知》) (Cai Shui [1998] No. 61) issued by the MOF and SAT on March 30, 1998, from January 1, 1997, income of individuals from the transfer of listed stocks continue to be exempted from individual income tax.

On December 31, 2009, the MOF, SAT and CSRC jointly issued the Circular on Relevant Issues Concerning the Collection of Individual Income Tax over the Income Received by Individuals from Transfer of Moratorium Shares of Listed Companies (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的通知》) (Cai Shui [2009] No. 167), which provides that individuals' income from transferring listed shares on certain domestic exchanges shall continue to be exempted from individual income tax, except for shares of certain specified companies (as defined in the Supplementary Circular on Relevant Issues Concerning the Collection of Individual Income Tax (《關於個人轉讓上市公司限售股所得徵收個人所得稅有關問題的補充通知》) (Cai Shui [2010] No. 70) over the Income Received by Individuals from Transfer of Listed Shares Subject to Sales Limitation issued by the MOF, SAT and CSRC on November 10, 2010). As of the Latest Practicable Date, the aforesaid provision has not expressly provided that whether individual income tax shall be collected from non-PRC resident individuals on the sale of shares of PRC resident enterprises listed on overseas stock exchanges such as the Hong Kong Stock Exchange. In practice, the PRC tax authorities have not collected income tax from non-PRC resident individuals on gains from the sale of shares of PRC resident enterprises listed on overseas stock exchanges.

***Enterprise Investors***

In accordance with the EIT Law and its implementation rules, a non-PRC resident enterprise is generally subject to enterprise income tax at the rate of 20% with respect to PRC-sourced income, including gains derived from the disposition of shares in a PRC resident enterprise, if it does not have an establishment or premises in the PRC or has an establishment or premises in the PRC but the PRC-sourced income is not actually connected with such establishment or premises in the PRC. Such tax may be reduced or eliminated under applicable tax treaties or arrangements.

**Estate Duty**

The PRC currently has not imposed any estate duty.

**Stamp Duty**

Pursuant to the Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例》) and the Rules for Implementation of Provisional Regulations of the PRC Concerning Stamp Duty (《中華人民共和國印花稅暫行條例施行細則》), PRC stamp duty is imposed on documents that are legally binding in the PRC and governed by the PRC laws. Therefore, PRC stamp duty on transferring shares of listed companies in the PRC does not apply to purchase and disposal of H shares outside PRC.

**HONG KONG TAXATION****Tax on Dividends**

Under the current practice of the Inland Revenue Department of Hong Kong, no tax is payable in Hong Kong in respect of dividends paid by us.

**Capital Gains and Profit Tax**

No tax is imposed in Hong Kong in respect of capital gains from the sales of H Shares. However, trading gains from the sale of the H Shares by persons carrying on a trade, profession or business in Hong Kong, where such gains are derived from or arise in Hong Kong from such trade, profession or business will be subject to Hong Kong profits tax (which is currently imposed at the maximum rate of 16.5% on corporations and at the maximum rate of 15% on unincorporated businesses) unless an exemption applies. From the year of assessment 2018/19, a concessionary tax rate (i.e. half of the current tax rate) can apply to corporations or unincorporated businesses for the first HK\$2 million of assessable profits subject to applicable conditions. Certain categories of taxpayers (for example, financial institutions, insurance companies and securities dealers) are likely to be regarded as deriving trading gains rather than capital gains unless these taxpayers can prove that the investment securities are held for long-term investment purposes. Trading gains from sales of H Shares effected on the Hong Kong Stock Exchange will be considered to be derived from or arise in Hong Kong. Liability

for Hong Kong profits tax would thus arise in respect of trading gains from sales of H Shares effected on the Hong Kong Stock Exchange realized by persons carrying on a business of trading or dealing in securities in Hong Kong.

**Stamp Duty**

Hong Kong stamp duty, currently charged at the ad valorem rate of 0.1% on the higher of the consideration for or the market value of the H Shares, will be payable by the purchaser on every purchase and by the seller on every sale of Hong Kong securities, including H Shares (in other words, a total of 0.2% is currently payable on a typical sale and purchase transaction involving H Shares). In addition, a fixed duty of HK\$5.00 is currently payable on any instrument of transfer of H Shares. Where one of the parties is a resident outside Hong Kong and does not pay the ad valorem duty due by it, the duty not paid will be assessed on the instrument of transfer (if any) and will be payable by the transferee. If no stamp duty is paid on or before the due date, a penalty of up to ten times the duty payable may be imposed.

**Estate Duty**

The Revenue (Abolition of Estate Duty) Ordinance 2005 came into effect on February 11, 2006 in Hong Kong, pursuant to which no Hong Kong estate duty is payable and no estate duty clearance papers are needed for an application of a grant of representation in respect of holders of H Shares whose deaths occur on or after February 11, 2006.

**FOREIGN EXCHANGE CONTROLS**

The lawful currency of the PRC is the Renminbi, which is currently subject to foreign exchange control. The SAFE under the PBOC is responsible for administration of all matters relating to foreign exchange, including the enforcement of foreign exchange control regulations.

On January 29, 1996, the State Council promulgated Regulations of the PRC for Foreign Exchange Control (《中華人民共和國外匯管理條例》) (hereinafter referred to as the “Foreign Exchange Control Regulations”) which became effective on April 1, 1996. The Foreign Exchange Control Regulations classifies all international payments and transfers into current account items and capital account items. Approval from the SAFE is not required for most current account transactions, but is required for capital account-transactions.

The Foreign Exchange Control Regulations were subsequently amended on January 14, 1997 and August 5, 2008, which have made substantial changes to the foreign exchange supervision system of the PRC. First, the Foreign Exchange Control Regulations have adopted an approach of balancing the inflow and outflow of funds. Foreign exchange income received overseas can be repatriated or deposited overseas, and foreign exchange and foreign exchange settlement funds under the capital account are required to be used only for purposes as approved by the competent authorities and foreign exchange administrative authorities. Second, the Foreign Exchange Control Regulations have improved the mechanism for

determining the RMB exchange rate based on market supply and demand. And, the Foreign Exchange Control Regulations have enhanced the monitoring of cross-border foreign currency fund flows. In the event that revenue and costs in connection with international transactions suffer or may suffer a material imbalance, or the national economy encounters or may encounter a severe crisis, the State may adopt necessary safeguard or control measures. Additionally, the Foreign Exchange Control Regulations have enhanced the supervision and administration of foreign exchange transactions and grant extensive authorities to the SAFE to enhance its supervisory and administrative powers.

On June 20, 1996, the PBOC promulgated the Regulations for the Administration of Settlement, Sale and Payment of Foreign Exchange (《結匯、售匯及付匯管理規定》) (Yin Fa [1996] No. 210) (hereinafter referred to as the “Settlement Regulations”) which became effective on July 1, 1996. The Settlement Regulations abolished the remaining restrictions on the current account foreign exchange conversion while retaining the existing restrictions on foreign exchange transactions under capital account items.

According to the Announcement on Improving the Reform of the Renminbi (《關於完善人民幣匯率形成機制改革的公告》) (PBOC Announcement [2005] No. 16), issued by the PBOC on July 21, 2005, the Renminbi exchange rate was no longer pegged to the U.S. dollar. The PRC began to implement a managed floating exchange rate system in which the exchange rate would be determined based on market supply and demand and adjusted with reference to a basket of currencies. The PBOC would publish the closing price of the Renminbi against foreign currencies such as the U.S. dollar in the inter-bank foreign exchange market after the closing of the market on each business day, which would be used as the central parity for Renminbi transactions on the following business day.

Since January 4, 2006, the PBOC had introduced over-the-counter transactions into the inter-bank spot foreign exchange market for the purpose of improving the formation mechanism of the central parity of Renminbi exchange rates, while keeping the matching system. In addition, the PBOC provided liquidity to the foreign exchange market by introducing the market-making system in the inter-bank foreign exchange market.

Pursuant to the relevant State rules and regulations, all of the foreign exchange revenue of the PRC enterprises from the current account transactions may be retained or sold to financial institutions operating a foreign exchange sale or settlement business. Foreign exchange income from loans granted by overseas entities or from the issuance of bonds and shares is not required to be sold to, but may be deposited in foreign exchange accounts at, designated foreign exchange banks.

PRC enterprises which require foreign exchange for transactions relating to current account items may, without the approval of the SAFE, effect exchange and payment from their foreign exchange accounts or at the designated foreign exchange banks, on the strength of valid receipts and proof. Foreign-invested enterprises which require foreign exchange for the distribution of dividends to their shareholders and PRC enterprises which, in accordance with regulations, are required to pay dividends to their shareholders in foreign exchange may, on the

strength of resolutions of the board of directors or the general meeting of shareholders approving the distribution of dividends, effect exchange and payment from their foreign exchange accounts or convert and pay dividends at the designated foreign exchange banks.

Pursuant to the Decisions of the State Council on Matters including Canceling and Adjusting a Batch of Administrative Approval Items (《國務院關於取消和調整一批行政審批項目等事項的決定》) (Guo Fa [2014] No. 50) as promulgated on October 23, 2014 has canceled the approval requirement of the SAFE and its branches for the remittance and settlement of the proceeds raised from the overseas listing of the foreign shares by domestic issuers.

Pursuant to the Notice on Issues Concerning the Foreign Exchange Administration of Overseas Listing (《關於境外上市外匯管理有關問題的通知》) (Hui Fa [2014] No. 54) issued by the SAFE on December 26, 2014, a domestic issuer shall, within 15 business days from completion of its initial public offering overseas, register the overseas listing with the local branch of SAFE at the place of its incorporation. The proceeds from an overseas listing of a domestic issuer may be remitted to a domestic account or deposited overseas, and the use of the proceeds shall be consistent with the content of the prospectus and other disclosure documents.

Pursuant to the Circular on Reforming and Regulating Policies on the Control over Foreign Exchange Settlement of Capital Accounts (《關於改革和規範資本項目結匯管理政策的通知》) (Hui Fa [2016] No. 16) promulgated by the SAFE on June 9, 2016, discretionary settlement of foreign exchange capital income including overseas listing repatriation funds) can be settled at the banks based on the actual operating needs of the domestic companies. The proportion of discretionary settlement of foreign exchange capital income for domestic companies is temporarily set at 100%. The proportion may be adjusted from time to time based on the international balance of payments by the SAFE.



This appendix sets forth summaries of certain aspects of PRC laws and regulations which are relevant to the operations and business of the Company. This appendix also contains a summary of certain Hong Kong legal and regulatory provisions, including summaries of certain material differences between PRC and Hong Kong company laws, certain requirements of the Hong Kong Listing Rules and the Mandatory Provisions.

## THE PRC LEGAL SYSTEM

The PRC legal system is composed of the constitution, laws, administrative regulations, local regulations, separate rules, rules and regulations of departments of the State Council, rules and regulations of local governments, autonomy regulations and separate rules of autonomous regions and international treaties of which the PRC government is a signatory. Court judgments do not constitute binding precedents, although they may be used for the purpose of judicial reference and guidance.

Pursuant to The PRC Constitution (《中華人民共和國憲法》) (hereinafter referred to as “Constitution”) and the Legislation Law of the PRC (《中華人民共和國立法法》) (hereinafter referred to as “Legislation Law”), the NPC and the Standing Committee of the NPC are empowered to exercise the legislative power of the State. The NPC has the power to formulate and amend the basic laws governing criminal and civil matters, State institutions and other matters. The Standing Committee of the NPC is empowered to formulate and amend laws other than those required by to be enacted by the NPC and to supplement and amend any parts of laws enacted by the NPC during its adjournment, provided that such supplements and amendments shall not be in conflict with the principles of such laws. The State Council is the highest administrative organs of the state, and enacts administrative regulations under the Constitution and laws. People’s congresses of provinces, autonomous regions and municipalities directly under the central government and their respective standing committees may formulate local regulations based on the specific circumstances and requirements of the local administrations, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations. The ministries, commissions, PBOC, National Audit Office and institutions with administrative functions supervisory committee the State Council may formulate rules and regulations within the jurisdiction of their respective departments based on the laws and the administrative regulations, decisions and rulings of the State Council. Provisions of departmental rules and regulations shall be formulated for the purpose of the enforcement of the laws and administrative regulations, decisions and rulings of the State Council. The people’s governments of provinces, autonomous regions, municipalities and large cities may formulate local rules and regulations based on the specific circumstances and actual needs so long as they do not contravene the constitution, laws and administrative regulations.

People’s congresses of district cities and their respective standing committees may enact local regulations based on the specific circumstances and actual needs which shall come into effect upon approval from the respective standing committees of the people’s congresses of the provinces and autonomous regions, provided that such local regulations shall not be in conflict with the constitution, laws, and administrative regulations. People’s congresses of autonomous

regions may enact autonomy regulations and separate rules in the light of the political, economic and cultural characteristics of the local nationalities, which shall come into effect upon approval from the Standing Committee of the NPC. Adaptations of provisions of laws and administrative regulations may be introduced to the autonomy regulations and separate rules so long as they do not contravene the basic principles of the laws or administrative regulations, and no adaptations shall be made to the specific provisions on national autonomous areas in the constitutions, national region autonomy law and other relevant laws and administrative regulations.

The Constitution is basis of the PRC legal system and has supreme legal authority, and no laws, administrative regulations, local regulations, autonomous regulations or separate regulations may contravene the Constitution. The significance of laws is greater than that of administrative regulations, local regulations, and rules. The significance of administrative regulations is greater than that of local regulations and rules. The significance of local regulations is greater than that of the rules of the local governments at or below the corresponding level. The significance of the rules enacted by the people's governments of the provinces or autonomous regions is greater than that of the rules enacted by the people's governments of the districted cities within the administrative areas of the provinces and the autonomous regions.

The NPC has the power to alter or annul any inappropriate laws enacted by its Standing Committee, and to annul any autonomous regulations or separate regulations which have been approved by its Standing Committee but which contravene the Constitution or the Legislation Law. The Standing Committee of the NPC has the power to annul any local regulation that contravenes the Constitution, laws or administrative regulations, and to annul any autonomous regulation or separate regulations which has been approved by the standing committees of the people's congress of the relevant provinces, autonomous regions or municipalities directly under the central government, but which contravene the Constitution and the Legislation Law. The State Council has the power to alter or annul any inappropriate ministerial rules and rules of local governments. The people's congress of provinces, autonomous regions or municipalities directly under the central government have the power to alter or annul any inappropriate local regulations enacted or approved by their respective standing committees. The people's governments of provinces and autonomous regions have the power to alter or annul any inappropriate rules enacted by the people's governments at the lower level.

According to the Constitution, the authority of the interpretation of laws shall be vested to the Standing Committee of the NPC. According to the Decision of the Standing Committee of the National People's Congress Regarding the Strengthening of Interpretation of Laws (《全國人民代表大會常務委員會關於加強法律解釋工作的決議》) passed on June 10, 1981, interpretation on the application of laws and decrees in court trails and the procuratorial work of the procuratorates shall be given by the Supreme People's Court and the Supreme People's Procuratorate, respectively. Interpretation of the laws and decrees unrelated to trials and procuratorial work shall be given by the State Council and the competent ministries and commissions. In the case that clarification or additional provisions shall be made for the local regulations, the standing committees of the people's congresses of provinces, autonomous

regions and municipalities directly under the central government which enacted such regulations shall give the interpretation or formulate the additional provisions. Interpretation on the application of local regulations shall be given by the competent departments under the people's government of the respective provinces, autonomous regions and municipalities directly under the central government.

### **PRC JUDICIAL SYSTEM**

Pursuant to the Constitution and the Law of the PRC of Organization of the People's Courts (《中華人民共和國人民法院組織法》) which was enacted on July 1, 1979 and last amended on October 26, 2018 and took effect on January 1, 2019, the judicial system in PRC is made up of the Supreme People's Court, the local people's courts, military courts and other special people's courts.

The people's courts at local levels are comprised of the basic people's courts, the intermediate people's courts and the higher people's courts. The people's courts at lower levels are subject to supervision of the people's courts at higher levels. The people's procuratorates also have the right to exercise legal supervision over the trial activities of people's courts at same or lower levels. The Supreme People's Court is the highest judicial organ of the PRC and it has the power to supervise the administration of justice by the local people's courts at all levels and all special people's courts.

The people's courts adopt a "second instance as final" appellate system in the trial of the cases. A party to the case concerned may appeal against the judgment and ruling of the first instance by the local people's courts to the people's courts at the next higher level in accordance with the legal procedures. The people's procuratorates may appeal to the people's court at the next higher level in accordance with the legal procedures. In the absence of any appeal by any parties to the case concerned or any appeal by the people's procuratorates within the stipulated period, the judgment and ruling of the first instance by the local people's courts shall be final and legally binding. Judgments and rulings of the second instance of the intermediate people's courts, the higher people's courts and Supreme People's Court and the judgments and rulings of the first instance of the Supreme People's Court shall be the final judgments and rulings. If, however, the Supreme People's Court or a people's court at a higher level finds an error in a judgment which has been given in any people's court at a lower level, or the presiding judge of a people's court finds an error in a judgment which has been given in the court over which he presides, the case may then be retried according to the judicial supervision procedures.

The Civil Procedure Law of the PRC (《中華人民共和國民事訴訟法》) (hereinafter referred to as “PRC Civil Procedure Law”), which was adopted on April 9, 1991 and last amended on June 27, 2017 and became effective on July 1, 2017, sets forth the criteria for instituting a civil case, the jurisdiction of the people’s courts, the procedures to be followed for conducting a civil action and the procedures for enforcement of a civil judgment or order. All parties to a civil action conducted within the PRC must comply with the PRC Civil Procedure Law. Generally, a civil case is initially heard by a local court of the municipality or province in which the defendant resides. The parties to a contract may, by an express agreement, select a competent court where civil actions may be brought, provided that the competent court has jurisdiction over either the plaintiff’s or the defendant’s place of residence, the place of execution or performance of the contract, the object of the action or locations which have substantial connections with the dispute. However, the stipulations of hierarchical jurisdiction and exclusive jurisdiction shall not be violated in any case.

A foreign individual or enterprise generally has the same litigation rights and obligations as a citizen or legal person of the PRC. If a foreign country’s judicial system limits the litigation rights of PRC citizens and enterprises, the PRC courts may impose the same limitations to the citizens and enterprises of that foreign country within the PRC. If any party to a civil action refuses to comply with a judgment or order made by a people’s court or an award granted by an arbitration panel in the PRC, the other party may apply to the people’s court to request for enforcement of the judgment, order or award. There are time limits imposed on the right to apply for such enforcement and the time limit is two years.

A party seeking to enforce a judgment or order of a people’s court against a party who is not located within the PRC and does not own any property in the PRC, may apply to a foreign court with proper jurisdiction for recognition and enforcement of the judgment or order. In the case of an application or request for recognition and enforcement of a legally effective judgment or order of a foreign court, the people’s court shall, after having examined it in accordance with the international treaties entered into or acceded to by the PRC or with the principle of reciprocity and having arrived at the conclusion that it does not contravene the primary principles of the laws of the PRC nor violates its sovereignty, security or social and public interests, recognize the validity of the judgment or order, and, if required, issue a writ of enforcement and enforce it in accordance with the relevant regulations. If the application or request contravenes the primary principles of the laws of the PRC or violates its sovereignty, security or social and public interests, the people’s court shall not recognize and enforce it.

#### **THE PRC COMPANY LAW, SPECIAL REGULATIONS AND MANDATORY PROVISIONS**

The PRC Company Law (《中華人民共和國公司法》) which was promulgated on December 29, 1993 by the Standing Committee of the NPC, last amended on October 26, 2018 regulates the organization and operation of companies and protects the legitimate rights and interests of companies, shareholders and creditors. The latest PRC Company Law has canceled the restriction on the minimum registered capital and replaced the registered paid-up share capital system by the registered subscribed capital system.

The Special Regulations of the State Council on the Overseas Offering and Listing of Shares by Joint Stock Limited Companies (《國務院關於股份有限公司境外募集股份及上市的特別規定》) (hereinafter referred to “Special Regulations”) were promulgated by the Standing Committee Meeting of the State Council, and took effect on August 4, 1994. The Special Regulations are formulated according to the PRC Company Law (1993) in respect of the overseas share subscription and listing of joint stock limited companies. The Mandatory Provisions were issued jointly by the former Securities Commission of the State Council and the former State Economic Restructuring Commission on August 27, 1994, prescribing provisions which must be incorporated into the articles of association of joint stock limited companies to be listed overseas. Accordingly, the Mandatory Provisions have been incorporated in the Articles of Association (which are summarized in “Appendix V – Summary of the Articles of Association”). The term “company” as mentioned in the Appendix refers to a joint stock limited liability company established in accordance with the provisions of the PRC Company Law which is qualified for H-share issuance.

Copies of the Chinese text of the PRC Company Law, Special Regulations and the Mandatory Provisions together with copies of their unofficial English translations thereof are available for inspection as mentioned in “Appendix VII – Documents Delivered to the Registrar of Companies and Available for Inspection.”

Major provisions in PRC Company Law, Special Regulations and Mandatory Provisions are summarized as follows:

### **General Provisions**

A joint-stock limited liability company (hereinafter referred to as “company”) is a corporate legal person incorporated under the PRC Company Law, whose registered capital is divided into shares of equal nominal value. The liability of its shareholders is limited to the extent of the shares held by them, and the liability of the company is limited to the full amount of all the assets it owns.

The company may invest in other enterprises. However, the Company shall not become a capital contributor that shall bear the joint liabilities for the debts of the enterprise it invests in, unless it is otherwise provided for by any law. A state-owned enterprise that is restructured into a company must comply with the conditions and requirements specified by law and administrative regulation, for the modification of its operation mechanisms, the systematic handling and evaluation of our company’s assets and liabilities and the establishment of internal management organs.

### **Incorporation**

A company may be incorporated by promotion or subscription.

A company may be incorporated by two to 200 promoters, but at least half of the promoters must reside in the PRC. Companies incorporated by promotion are companies with the registered capital entirely subscribed for by the promoters. Where companies are

incorporated by subscription, the promoters are required to subscribe for not less than 35% of the total number of shares of a company unless otherwise stipulated by laws and regulations, and the remaining shares can be offered to the public or specific persons, unless otherwise required by law.

For a company incorporated by promotion, the registered capital has to be the total capital subscribed for by all promoters as registered with the company registration authority. It shall not raise capital from others before the promoters fully pay the capital subscribed by them; for companies established by subscription, the registered capital is the amount of total paid-up capital as registered with the company registration authority.

The promoters shall convene an inaugural meeting within thirty (30) days after the issued shares have been fully paid up, and shall fifteen (15) days before the meeting notify all subscribers or make a public announcement of the date of the inaugural meeting. The inaugural meeting may be convened only with the presence of shareholders holding shares representing more than 50% of the total issued shares of the company. At the inaugural meeting, matters including the adoption of draft articles of association proposed by the promoter(s) and the election of the board of directors and the supervisory committee of the company will be dealt with. All resolutions of the meeting require the approval of subscribers with more than half of the voting rights present at the meeting.

Within thirty (30) days after the conclusion of the inaugural meeting, the board of directors shall apply to the company registration authority for registration of the establishment of the company. The company is formally established and has the status of a legal person after the approval for registration has been given and a business license has been issued.

The promoters of a company shall bear the following liabilities: where the company cannot be incorporated, they shall bear the joint and several liability for all the debts and expenses incurred in the act of incorporation; where the company cannot be incorporated, they shall bear the joint and several liability for refunding the subscription moneys paid by the subscribers, plus their bank deposit interest calculated for the same period of time; and, where the interests of the company are impaired due to the fault committed by the promoters in the process of the incorporation of the company, they shall bear the liability to pay compensation to the company.

### **Share Capital**

The promoters of a company can make capital contributions in cash or in kind, that can be valued in currency and transferable according to law such as intellectual property rights or land use rights based on their appraised value, except for the property that is not allowed to be used as capital contributions, as is provided for by laws or administrative regulations.

If capital contribution is made other than in cash, valuation and verification of the property contributed must be carried out and converted into shares according to the laws. The Special Regulations and the Mandatory Provisions provide that shares issued to foreign investors and listed overseas shall be issued in registered form and shall be denominated in Renminbi and subscribed for in foreign currency.

Under the Special Regulations and the Mandatory Provisions, shares issued to foreign investors and investors from the territories of Hong Kong Special Administrative Region, Macau Special Administrative Region, the Region of Taiwan and listed overseas are known as overseas listed foreign invested shares, and those shares issued to investors within the PRC other than the territories specified above are known as domestic shares which take the form of registered shares.

A company may offer its shares to the public overseas with approval by the securities administration department of the State Council. Specific provisions shall be specifically formulated by the State Council. Under the Special Regulations, upon approval of CSRC, a company may agree, in the underwriting agreement in respect of an issue of overseas listed foreign invested shares, to retain not more than 15% of the aggregate number of overseas listed foreign invested shares proposed to be issued after accounting for the number of underwritten shares.

The shares shall be issued in compliance with the principles of fairness and impartiality. The shares of the same class must carry the same rights. Shares shall be issued on the same conditions and at the same price. All units and individuals shall pay the same price for each of the share they subscribe for. The share offering price may be equal to or greater than nominal value, but shall not be less than nominal value. Shares issued by a company with limited liability may be either registered shares or bearer shares. The transfer of shares by shareholders should be conducted via the legally established stock exchange or in accordance with other methods as stipulated by the State Council. Transfer of registered shares by a shareholder must be made by means of an endorsement or by other means stipulated by law or administrative regulation. Bearer shares are transferred by delivery of the share certificates to the transferee.

Transfers of shares may not be entered in the register of shareholders within twenty days before the date of a shareholders' meeting or within five days before the benchmark date determined by the company for distribution of dividends.

### **Increase in Capital**

Under the PRC Company Law, an increase in the capital of a company by means of an issue of new shares must be approved by shareholders in general meeting. Apart from the above-mentioned shareholder approval requirement, for a public offering of new shares, the PRC Securities Law (《中華人民共和國證券法》) (hereinafter referred to as "Securities Law") provides that the company shall: (i) have a sound organizational structure with satisfactory operating record; (ii) have the capability of continuing profitability and a healthy financial position; (iii) have no false statements and other material breaches in the financial and accounting documents of the last three years; (iv) fulfill other conditions required by the securities administration department of the State Council as approved by the State Council.

Public offer requires the approval of the securities administration department of the State Council. After payment in full for the new shares issued, a company must change its registration with the company registration authority and issue a public notice accordingly.

**Reduction of Share Capital**

A company may reduce its registered capital in accordance with the following procedures prescribed by the PRC Company Law:

- (i) the company shall prepare a balance sheet and an inventory of the assets;
- (ii) the reduction of registered capital must be approved by shareholders in general meeting;
- (iii) the company shall inform its creditors of the reduction in registered capital within ten (10) days and publish an announcement of the reduction in the newspaper within thirty (30) days after the resolution approving the reduction has been passed;
- (iv) the creditors of the company may within the statutory prescribed time limit require the company to pay its debts or provide guarantees covering the debts. The creditors shall, within thirty (30) days from the date they receive the written notice, or within forty five (45) days from the date the announcement is made in the case of those who have not received such written notice, have the right to claim full repayment of their debts or provision of a corresponding guarantee from the company; and
- (v) the company must apply to the company registration authority for registration of the reduction in registered capital.

**Repurchase of Shares**

A company may not purchase its own shares other than for the purpose of:

- (i) reducing its registered capital;
- (ii) merging with another company holding shares of this company;
- (iii) using for employee stock ownership plan or stock ownership incentive scheme;
- (iv) purchasing the company's own shares upon request of its shareholders who vote against the resolution regarding the merger or division of the company in a general meeting;
- (v) using to convert corporate bonds issued by a listed company that can be converted into stocks;
- (vi) maintaining a listed company's own corporate value and stockholders' equity.



Any company's purchase of its own shares for reason specified in (i) and (ii) of the preceding paragraph shall be subject to a resolution of the general meeting; any company's purchase of its own shares for reason specified in (iii), (v) and (vi) of the preceding paragraph may be subject to a resolution of the board meeting with more than two thirds of directors present, according to the provisions of the Articles of Associations or upon authorization by the general meeting.

Upon any company's purchase of its own shares pursuant to the first paragraph, the company shall, in the event of a purchase made pursuant to (i), cancel the relevant shares within ten days of the purchase; or in the event of a purchase made pursuant to (ii) or (iv), transfer or cancel the relevant shares within six months of the purchase; or in the event of a purchase made pursuant to (iii), (v) or (vi), hold a total number of its own shares not more than 10% of the total shares issued by the company and transfer or cancel the relevant shares within three years of the purchase.

Any company that purchases its own shares shall perform the information disclosures obligations specified in the Securities Law of the People's Republic of China. Any purchase of its own shares by a listed company in the event of (iii), (v) or (vi) of the first paragraph shall be made by way of a public centralized trading.

A company shall not accept its own shares as the subject matter of a mortgage.

### **Transfer of Shares**

Shares may be transferred in accordance with the relevant laws and regulations. Registered shares shall be transferred by means of endorsement by shareholders or by such other means as provided for by laws or administrative regulations; and after such transfer, the company shall register the names or titles and domiciles of the transferees in its register of shareholders. No registration of modification to the register of shareholders as stipulated by the preceding paragraph shall be made within the period of 20 days prior to the convening of a meeting of the shareholders' general meeting or within the period of 5 days prior to the date of record on which the company decides to distribute dividends.

Shares held by the promoters of a company shall not be transferred within one year from the date the company is incorporated. Directors, supervisors and senior managers of a company shall declare to the company the numbers of the company's shares held by them and the changes of the shares they hold, and the number of the company's shares annually transferred by each of them during their term of office shall not exceed 25% of the total number of the company's shares held by them respectively. The company's shares held by the persons mentioned above shall not be transferred within six months after they leave office.

### **Shareholders**

The articles of association of a company are binding on each shareholder. Under the PRC Company Law and the Mandatory Provisions, the rights of a shareholder include:

- (i) to attend in person or appoint a proxy to attend shareholders' general meetings, and to vote in respect of the number of shares held;

- (ii) to transfer his shares in accordance with applicable laws and regulations and the articles of association of the company;
- (iii) to inspect the company's articles of association, shareholders' registers, records of debentures, minutes of shareholders' general meetings, board resolutions, supervisors resolutions, financial and accounting reports and put forward proposals or raise questions about the business operations of the company;
- (iv) if any directors or senior officers damages the shareholder's interests by violating law or administrative regulations or articles of association, the shareholders may lodge an action in the people's court;
- (v) to receive dividends in respect of the number of shares held;
- (vi) to obtain surplus assets of the company upon its liquidation in proportion to his or her shareholding;
- (vii) to claim against other shareholders who abuse their shareholders' rights for the damages; and
- (viii) any other shareholders' rights specified in the company's articles of association.

The obligations of a shareholder include the obligation to abide by the company's articles of association, to pay the subscription monies in respect of the shares subscribed for, to be liable for the company's debts and liabilities to the extent of the amount of subscription monies agreed to be paid in respect of the shares taken up by him/her, not to abuse shareholders' right to damage the interests of the company or other shareholders of the company; not to abuse the independent status of the company as a legal person and the limited liability to damage the interests of the creditors of the company and any other shareholders' obligation specified in the articles of association of the company.

### **Shareholders' General Meeting**

The shareholders' general meeting is the organ of authority of a company, which exercises its powers in accordance with the PRC Company Law.

The shareholders' general meeting exercises the following principal powers:

- (i) to decide on the company's operational policies and investment plans;
- (ii) to elect or replace the directors, supervisors who are not representatives of the employees and decide on matters relating to the remuneration of directors and supervisors;
- (iii) to consider and approve reports of the board of directors;

- (iv) to consider and approve reports of the board of supervisors or supervisory committee;
- (v) to consider and approve the company's proposed annual financial budget and financial accounts;
- (vi) to consider and approve the company's proposals for profit distribution and for recovery of losses;
- (vii) to decide on any increase or reduction in the company's registered capital;
- (viii) to decide on the issue of bonds by the company;
- (ix) to decide on issues such as merger, division, dissolution, liquidation or change of the nature of incorporation of the company and other matters;
- (x) to amend the articles of association of the company; and
- (xi) other powers specified in the articles of association of the company.

A shareholders' general meeting is required to be held once every year. An extraordinary shareholders' general meeting is required to be held within two months after the occurrence of any of the following circumstances:

- (i) the number of directors is less than the number provided for in the PRC Company Law or less than two-thirds of the number specified in the company's articles of association;
- (ii) the losses of the company which are not made up reach one-third of the company's total paid up share capital; a request by a shareholder that holds, or by shareholders that hold in aggregate, 10% or more of the company's shares;
- (iii) when deemed necessary by the board of directors;
- (iv) when the supervisory committee proposes convening it; or
- (v) other matters required by the company's articles of association.

Shareholders' general meetings shall be convened by the board of directors, and presided over by the chairman of the board of directors. If the chairman is incapable of performing or not performing his duties, the meeting shall be presided over by the vice chairman. If the vice chairman is incapable of performing or not performing his duties, a director nominated by more than half of directors shall preside over the meeting. Where the board of directors is incapable of performing or not performing its duties of convening the shareholders' general meeting, the supervisory committee shall convene and preside over such meeting in a timely manner. In case the supervisory committee fails to convene and preside over such meeting, shareholders alone or in aggregate holding more than 10% of the total shares of the company for ninety (90) days consecutively may unilaterally convene and preside over such meeting.

Notice of the shareholders' general meeting shall be given to all shareholders twenty (20) days before the meeting under the PRC Company Law and forty five (45) days under the Special Regulations and the Mandatory Provisions, stating the matters to be considered at the meeting. Under the Special Regulations and the Mandatory Provisions, shareholders wishing to attend are required to give to the company written confirmation of their attendance twenty (20) days prior to the meeting.

Shareholders present at a shareholders' general meeting have one vote for each share they hold, but the company shall have no vote for any of its own shares the company holds. Shareholders may entrust a proxy to attend shareholders' general meetings on his or her behalf by a power of attorney which sets forth the scope of exercising the voting rights.

Resolutions proposed at the shareholders' general meeting shall be adopted by more than half of the voting rights cast by shareholders present (including those represented by proxies) at the meeting, with the exception of matters relating to merger, division, dissolution, increase or reduction in registered capital, change in the form of the company or amendments to the articles of association which shall be adopted by shareholders with two-thirds or more of the voting rights cast by shareholders present (including those represented by proxies) at the meeting.

There is no specific provision in the PRC Company Law regarding the number of shareholders constituting a quorum in a shareholders' meeting. However, the Special Regulations and the Mandatory Provisions provide that a company's annual general meeting may be convened when replies to the notice of that meeting from shareholders holding shares representing 50% or more of the voting rights in the company have been received twenty (20) days before the proposed date, or if that 50% level is not achieved, the company shall within five days of the last day for receipt of the replies notify shareholders by public announcement of the matters to be considered at the meeting and the date and place of the meeting and the annual general meeting may be held thereafter. The Mandatory Provisions require class meetings to be held in the event of a variation or derogation of the class rights of a class. Holders of domestic invested shares and holders of overseas listed foreign invested shares are deemed to be different classes of shareholders for this purpose.

### **Board of Directors**

A company shall have a board of directors, which shall consist of 5 to 19 members and there can be staff representatives of the company. Under the PRC Company Law, each term of office of a director shall not exceed three years. A director may serve consecutive terms if re-elected.

Meetings of the board of directors shall be convened at least twice a year. Notice of meeting shall be given to all directors and supervisors at least ten (10) days before the meeting. The board of directors may provide for a different method of giving notice and notice period for convening an extraordinary meeting of the board of directors.

Under the PRC Company Law, the board of directors exercises the following powers:

- (i) to convene the shareholders' general meeting and report on its work to the shareholders;
- (ii) to implement the resolution of the shareholders' general meeting;
- (iii) to decide on the company's business plans and investment plans;
- (iv) to formulate the company's proposed annual financial budget and final accounts;
- (v) to formulate the company's proposals for profit distribution and for recovery of losses;
- (vi) to formulate proposals for the increase or reduction of the company's registered capital and the issue of corporate bonds;
- (vii) to prepare plans for the merger, division, dissolution or change of the form of the company;
- (viii) to decide on the company's internal management structure;
- (ix) to appoint or dismiss the company's general manager, and based on the president's recommendation, to appoint or dismiss deputy general manager and financial officers of the company and to decide on their remuneration;
- (x) to formulate the company's basic management system; and
- (xi) any other power given under the articles of association of the company.

In addition, the Mandatory Provisions provide that the board of directors is also responsible for formulating the proposals for amendment of the articles of association of a company.

Meetings of the board of directors shall be held only if more than half of the directors are present. Resolutions of the board of directors require the approval of more than half of all directors. If a director is unable to attend a board meeting, he may appoint another director by a written power of attorney specifying the scope of the authorization to attend the meeting on his behalf. If a resolution of the board of directors violates the laws, administrative regulations or the company's articles of association as a result of which the company sustains serious losses, the directors participating in the resolution are liable to compensate the company. However, if it can be proven that a director expressly objected to the resolution when the resolution was voted on, and that such objections were recorded in the minutes of the meeting, such director may be relieved of that liability.

**Qualification of Directors**

Under the PRC Company Law, the following persons may not serve as a director of a company:

- (i) persons without civil capacity or with restricted civil capacity;
- (ii) persons who have committed the offense of corruption, bribery, taking of property, misappropriation of property or destruction of the social economic order, and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence; or persons who have been deprived of their political rights due to criminal offense, where less than five years have elapsed since the date of the completion of implementation;
- (iii) persons who are former directors, factory managers or managers of a company or enterprise which has become bankrupt and been liquidated due to mismanagement and who are personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of the completion of the bankruptcy and liquidation of the company or enterprise;
- (iv) persons who have been legal representatives of a company or enterprise which had its business license revoked or business operation shut down due to violation of the law and who are personally liable, where less than three years have elapsed since the date of the revocation of the business license;
- (v) persons who have a relatively large amount of debt due and outstanding; or
- (vi) other circumstances under which a person is disqualified from acting as a director of a company are set out in the Mandatory Provisions (which have been incorporated in the Articles of Association, a summary of which is set out in “Appendix V – Summary of the Articles of Association”).

The board of directors shall appoint a chairman, who is elected with approval of more than half of all the directors. The chairman of the board of directors exercises, among others, the following powers:

- (i) to preside over shareholders’ general meetings and convene and preside over meetings of the board of directors; and
- (ii) to check on the implementation of the resolutions of the board of directors.

The legal representative of a company in accordance with the Mandatory Provisions, is the chairman of the board of directors. The Special Regulations provide that a company’s directors, supervisors, managers and other officers bear fiduciary duties and the duty to act diligently. They are required to faithfully perform their duties, protect the interests of the

company and not to use their positions for their own benefit. The Mandatory Provisions (which have been incorporated into the Articles of Association, a summary of which is set out in “Appendix V – Summary of the Articles of Association”) contain further elaborations of such duties.

### **Supervisors**

A company shall have a supervisory committee composed of not less than three members. Each term of office of a supervisor is three years and he may serve consecutive terms if re-elected. A supervisor shall continue to perform his duties in accordance with the laws, administrative regulations and articles of association until a re-elected supervisor takes office, if re-election is not conducted in a timely manner upon the expiry of his term of office or if the resignation of supervisor results in the number of supervisors being less than the quorum. The supervisory committee is made up of shareholders’ representatives and an appropriate proportion of the company’s staff representatives; and the percentage of the number of the company’s staff representatives shall not be less than one-third. Directors and senior management shall not act as supervisors.

Requirements in relation to the power of the supervisory committee under the PRC Company Law are as follows:

- (i) to check the company’s financial affairs;
- (ii) to supervise the directors and senior management in their performance of duties and to propose the removal of any director or senior management who violates the laws, regulations, articles of association or shareholders’ resolution;
- (iii) to require any director or senior management whose act is detrimental to the company’s interests to rectify such act;
- (iv) to propose the convening of extraordinary shareholders’ general meetings and, in the event that the board of directors fails to perform the duties of convening and presiding shareholders’ meetings, to convene and preside over shareholders’ meetings;
- (v) to propose any motions to shareholders’ general meetings;
- (vi) to commence any action against any directors or senior management; and
- (vii) other powers specified in the company’s articles of association.

The circumstances under which a person is disqualified from being a director of a company described above apply mutates mutandis to supervisors of a company.

Meetings of the supervisory committee shall be convened at least once a year. Interim meetings of the supervisory committee can be convened by the supervisors. According to the PRC Company Law, resolutions of the supervisory committee require the approval of more than half of all supervisors, and pursuant to the Letter of Opinions on the Supplementation and Amendment of Articles of Association of Companies Listing in Hong Kong (《關於到香港上市公司對公司章程作補充修改的意見的函》) (Zheng Jian Hai Han [1995] No. 1) promulgated by the CSRC on April 3, 1995, resolutions of the supervisory committee require the approval of more than two-thirds of all supervisors. Minutes shall be prepared in respect of matters considered at the meeting of the supervisory committee and supervisors attending the meeting shall sign to endorse such minutes.

### **Managers and Other Senior Officers**

A company shall have a manager who shall be appointed or removed by the board of directors. The manager is accountable to the board of directors and may exercise the following powers:

- (i) in charge of the production, operation and management of the company and arrange for the implementation of resolutions of the board of directors;
- (ii) arrange for the implementation of the company's annual business and investment plans;
- (iii) formulate plans for the establishment of the company's internal management structure;
- (iv) formulate the basic administration system of the company;
- (v) formulate the company's internal rules;
- (vi) recommend the appointment and dismissal of deputy managers and any financial officer and appoint or dismiss other senior administration officers (other than those required to be appointed or dismissed by the board of directors);
- (vii) attend board meetings as a non-voting attendant; and
- (viii) other powers conferred by the board of directors or the company's articles of association.

The Special Regulations and the Mandatory Provisions provide that the other senior management officers of a company include the financial officer, secretary of the board of directors and other executives as specified in the articles of association of the company.



The circumstances under which a person is disqualified from being a director of a company also apply to managers and officers of the company. The articles of association of a company shall have binding effect on the shareholders, directors, supervisors, managers and other senior management of the company. Such persons shall be entitled to exercise their rights, apply for arbitration and issue legal proceedings according to the articles of association of the company. The provisions of the Mandatory Provisions regarding the senior management of a company have been incorporated in the Articles of Association, a summary of which is set out in “Appendix V – Summary of the Articles of Association.”

### **Duties of Directors, Supervisors and Senior Officers**

A director, supervisor and senior officer of a company is also under a duty of confidentiality to the company. A director, supervisor and senior officer who contravenes any law, regulation or the company’s articles of association in the performance of his duties which results in any loss to our company shall be personally liable to the company.

The Special Regulations and the Mandatory Provisions provide that a director, supervisor and senior officer of a company owe fiduciary duties to the company and are required to perform their duties faithfully and to protect the interests of the company and not to make use of their positions in the company for their own benefit.

Where the attendance of a director, supervisor, or senior officer is requested by the shareholders’ general meeting, such director, supervisor, or other senior officer shall attend the meeting as requested and answer enquiries of shareholders. Directors and senior officers shall furnish with all truthfulness facts and information to the supervisory committee without obstructing the discharge of duties by the supervisory committee.

A company shall not directly, or through its subsidiary, provide loans to any director, supervisor or senior management and shall regularly disclose to the shareholders any information regarding remunerations received by the directors, supervisors or senior management of the company.

### **Finance and Accounting**

A company shall establish its financial and accounting systems according to laws, administrative regulations and the provisions of the responsible financial department of the State Council and at the end of each financial year, prepare a financial report which shall be audited and verified as provided by law.

A company shall deposit its financial statements at the company for inspection by the shareholders at least 20 days before the convening of the annual general meeting of shareholders. A company incorporated by public subscription must publish its financial statements.

When distributing each year's after-tax profits, the company shall set aside 10% of its after-tax profits for the company's statutory surplus reserve (except where the reserve has reached 50% of the company's registered capital). After a company has made an allocation to its statutory common reserve from its after-tax profits, subject to a resolution of the shareholders' general meeting, the company may make an allocation to a discretionary common reserve.

When the company's statutory surplus reserve is not sufficient to make up for the company's losses of the previous years, current year profits shall be used to make up for the losses before allocations are set aside for the statutory surplus reserve.

After the company has made up for its losses and make allocations to its statutory surplus reserve the remaining profits could be available for distribution to shareholder in proportion to the number of shares held by the shareholders except as otherwise provided in the articles of association of such company limited by shares.

The capital common reserve of a company is made up of the premium over the nominal value of the shares of the company on issue and other amounts required by the relevant governmental authority to be treated as the capital common reserve. The common reserve of a company shall be applied for the following purposes:

- (i) to make up the company's losses other than the capital common reserve;
- (ii) to expand the business operations of the company; and
- (iii) to increase the registered capital of the company. If the statutory surplus reserve is converted into registered capital, the balance of the statutory surplus reserve after such conversion shall not be less than 25% of the registered capital of the company before such conversion.

The company shall have no other accounting books except the statutory accounting books. The company's assets shall not be deposited in any accounts opened in the name of an individual.

#### **Appointment and Retirement of Auditors**

The Special Regulations require a company to employ an independent PRC qualified accounting firm to audit the company's annual report and to review and check other financial reports.

The auditors are to be appointed for a term commencing from the close of an annual general meeting and ending at the close of the next following annual general meeting.

If a company removes or ceases to continue to appoint the auditors, it is required by the Special Regulations to give prior notice to the auditors and the auditors are entitled to make representations before the shareholders in general meeting. The appointment, removal or non re-appointment of auditors shall be decided by the shareholders at shareholders' general meetings and shall be filed with the CSRC for record.

### **Distribution of Profits**

The PRC Company Law provides that a company is restricted from distributing profits before accumulated losses have been made up and statutory common reserve has been drawn. The Special Regulations provide that the dividends and other distributions to be paid to holders of overseas listed foreign invested shares shall be declared and calculated in Renminbi and paid in foreign currency. Under the Mandatory Provisions, the payment of foreign currency to shareholders shall be made through a receiving agent.

### **Amendments to Articles of Association**

Any amendments to the company's articles of association must be made in accordance with the procedures set forth in the company's articles of association. Any amendment of provisions incorporated in the articles of association in connection with the Mandatory Provisions will only be effective after approval by the companies approval department authorized by the State Council and the CSRC. In relation to matters involving the company's registration, its registration with the authority must also be changed.

### **Dissolution and Liquidation**

Under the PRC Company Law, a company shall be dissolved in any of the following events:

- (i) the term of its operations set down in its articles of association has expired or events of dissolution specified in its articles of association have occurred;
- (ii) the shareholders in general meeting have resolved to dissolve the company;
- (iii) the company is dissolved by reason of its merger or demerger;
- (iv) the company is subject to the revocation of business license, a closure order or elimination in accordance with laws; or
- (v) in the event that the company encounters substantial difficulties in its operation and management and its continuance shall cause a significant loss, in the interest of shareholders, and where this cannot be resolved through other means, shareholders who hold more than 10% of the total shareholders' voting rights of the company may present a petition to the people's court for the dissolution of the company.

Where the company is dissolved in the circumstances described in (i), (ii), (iv) and (v) above, a liquidation committee must be formed within fifteen (15) days after the occurrence of the cause of dissolution so as to carry out liquidation. Members of the liquidation committee shall be composed of the directors or people as determined by the shareholders' meeting.

If a liquidation committee is not established within the stipulated period, the company's creditors can apply to the people's court for its establishment. The liquidation committee shall notify the company's creditors within ten days (10) after its establishment, and issue a public notice in the newspapers within sixty (60) days. A creditor shall lodge his claim with the liquidation committee within thirty (30) days after receiving notification, or within forty five (45) days of the public notice if he did not receive any notification.

The liquidation committee shall exercise the following powers during the liquidation period:

- (i) to handle the company's assets and to prepare a balance sheet and an inventory of the assets;
- (ii) to notify creditors or issue public notices;
- (iii) to deal with and settle any outstanding business of relevant company;
- (iv) to pay any tax overdue;
- (v) to settle the company's claims and liabilities;
- (vi) to handle the surplus assets of the company after its debts have been paid off; and
- (vii) to represent the company in civil lawsuits.

If the company's assets are sufficient to meet its liabilities, they shall be applied towards the payment of the liquidation expenses, wages owed to the employees and social security expenses, tax overdue and debts of the company. Any surplus assets shall be distributed to the shareholders of the company in proportion to the number of shares held by them.

During the liquidation period, a company shall not engage in operating activities unrelated to the liquidation.

If the liquidation committee becomes aware that the company does not have sufficient assets to meet its liabilities, it must immediately apply to the people's court for a declaration for bankruptcy according to the laws. Following such declaration, the liquidation committee shall hand over all affairs of the liquidation to the people's court. Upon completion of the liquidation, the liquidation committee shall submit a liquidation report to the shareholders' general meeting or the people's court for confirmation. Thereafter, the report shall be submitted to the company registration authority in order to cancel the company's registration, and a public notice of its termination shall be issued.

Members of the liquidation committee are required to discharge their duties honestly and in compliance with relevant laws. A member of liquidation committee is liable to indemnify the company and its creditors in respect of any loss arising from his willful or material default.

### **Loss of Share Certificates**

A shareholder may apply, in accordance with the relevant provisions set out in the PRC Civil Procedure Law, to a people's court in the event that share certificates in registered form are either stolen or lost, for a declaration that such certificates will no longer be valid. After such a declaration has been obtained, the shareholder may apply to the company for the issue of replacement certificates.

The Mandatory Provisions provide for a separate procedure regarding loss of H share certificates (which has been incorporated in the Articles of Association, a summary of which is set out in "Appendix V – Summary of the Articles of Association").

### **Merger and Demerger**

Companies may merge through merger by absorption or through the establishment of a newly merged entity. If it merges by absorption, the company which is absorbed shall be dissolved. If it merges by forming a new corporation, both companies will be dissolved.

As for a corporate merger, both parties to the merger shall conclude an agreement with each other and formulate balance sheets and checklists of properties. The companies involved shall, within ten (10) days from making the decision of merger, notify the creditors, and shall make a public announcement in a newspaper within thirty (30) days. The creditors may, within thirty (30) thirty days of the receipt of the notice or within forty five (45) days of the issuance of the public announcement if it fails to receive a notice, require the company to clear off its debts or to provide corresponding guarantees. In the case of a merger, the credits and debts of the companies involved shall be succeeded by the company that survives the merger or by the newly established company.

As for the division of a company, the properties thereof shall be divided accordingly, and balance sheets and checklists of properties shall be worked out. The company shall, within ten (10) days of the day when the decision of division is made, notify the creditors and make a public announcement in a newspaper within thirty (30) days. The post-division companies shall bear joint liabilities for the debts of the former company before it is divided, unless it is otherwise prescribed by the company and the creditors before the division with regard to the clearance of debts in written agreement.

### **REGULATION IN RELATION TO CONSTRUCTION CONTRACTING**

According to the Construction Law of the People's Republic of China (《中華人民共和國建築法》) which promulgated on April 22, 2011 and took effect on July 1, 2011 and was amended on April 23, 2019, the Provisions on the Administration of Qualifications of Enterprises in Construction Industry (《建築業企業資質管理規定》) which promulgated on

January 22, 2015 and amended on December 22, 2018 and other applicable laws and regulations, an enterprise engaging in construction and other relevant construction projects may only carry out construction activities within the scope of their respective qualifications.

The qualifications of construction enterprises can be divided into three categories, which are general contracting, specialized contracting and construction labor service respectively. General contracting and specialized contracting are further divided into various qualification ratings depending on the nature and technical specifications of the project. Each of these qualification ratings is then further subdivided into certain classes based on prescribed conditions.

A project owner must have obtained the legal license prior to the start of construction. Construction engineering enterprises, surveying entities, designing entities and supervising entities engaging in construction activities must acquire the corresponding professional qualifications.

#### **REGULATION IN RELATION TO CONCRETE**

According to the Notice of the Ministry of Commerce, the Ministry of Public Security, the Ministry of Construction, and the Ministry of Communications on prohibiting the mixing of concrete on the site in urban areas within a time limit (《商務部、公安部、建設部、交通部關於限期禁止在城市城區現場攪拌混凝土的通知》) issued on October 16, 2003, the ready-mixed concrete production enterprise shall comply with the urban construction planning, the development plan of the construction industry and the environmental protection requirements, with the qualifications stipulated by the state, and accept the qualification examination of the construction administrative department. Concrete production enterprises that have not been approved by the construction administrative department shall not provide ready-mixed concrete to the society. Production enterprises engaged in ready-mixed concrete should establish a complete quality control system, strictly implement relevant regulations in standardization management, measurement management, process control, quality inspection and other relevant aspects to ensure the quality of ready-mixed concrete.

According to Management Regulations for Materials Laboratories of Ready Mixed Commercial Concrete, Prefabricated Concrete Components and Construction Enterprises in Yunnan Province (《雲南省預拌商品混凝土、混凝土預制構件和建築施工企業材料類試驗室管理規定》) issued on April 8, 2015, laboratory certificates are not graded. The ready-mixed commercial concrete laboratory of construction enterprises, the prefabricated concrete component laboratory of construction enterprises and the material laboratory of construction enterprises shall be defined as all special laboratories. The validity period of the laboratory is the same as the validity period of the construction qualification of the enterprise, which is examined together with the construction qualification. After the construction enterprise closes down or terminates, the laboratory certificate will be invalidated simultaneously.

### Regulation in Relation to Quality and Safety Production

Pursuant to the Product Quality Law of the People's Republic of China (《中華人民共和國產品質量法》) which promulgated and took effect on December 29, 2018, the product quality supervision and administration departments of the State Council is responsible for nationwide product quality supervision. All the relevant departments under the State Council are in charge of product quality supervision according to their respective responsibilities. Local administrations for the supervision of product quality at or above the county level are responsible for product quality supervision within their own administrative territories. The relevant departments of the local people's governments at or above the county level are responsible for product quality supervision according to their respective responsibilities. If there are different provisions concerning the supervision departments of product quality, such provisions shall be applied.

The Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》) was considered and approved by the Standing Committee of the NPC on June 29, 2002 and subsequently revised on August 27, 2009 and August 31, 2014. Entities which engage in production and business operations must observe the aforesaid law and other laws and regulations concerning safety production, strengthen the administration of safety production, establish and improve the system of responsibilities for safety production, and perfect the conditions for work safety to guarantee the work safety. Relevant authorities of the State Council supervise and manage the work safety in their respective scope of administration according to the aforesaid law and regulation and other relevant laws and regulations, while local governmental authorities are responsible for the supervision and administration of relevant safety production works within their respective terms of reference.

Manufacturers and construction entities of infrastructure in the PRC are subject to the Safety Production Law of the People's Republic of China (《中華人民共和國安全生產法》). No enterprise may engage in production activities without a safe production permit. Production entities must be strictly in compliance with the Safety Production Law and other laws and regulations in relation to safety production.

According to Notice of the State Council on Further Strengthening Work Safety of Enterprises (《國務院關於進一步加強企業安全生產工作的通知》) which promulgated on July 19, 2010 by the State Council, enterprises shall formulate strict work safety rules and stick to the principle of "no safety, no production". They shall reinforce the on-site supervision and examination of production, strictly investigate and punish the "three types of violations", namely, acts of giving instructions that violate the relevant rules, failure to observe the relevant rules in, and violation of labor disciplines. Any enterprise that organizes production in excess of its capacity, labor intensity, and manpower, shall be ordered to suspend the production for rectification, and the said enterprise and its major responsible persons shall be imposed with financial penalties at the prescribed higher limit in accordance with the law.

**Regulation in Relation to Environmental Protection**

According to the Administrative Measures for Pollutant Discharge Licensing (for Trial Implementation) issued and took effect on January 10, 2018 by the Ministry of Environmental Protection (“MEP”), the MEP shall lawfully formulate and issue the catalog of classified management of pollutant discharge licenses for stationary pollution sources, and define the scope of stationary pollution sources included in pollutant discharge licensing management and the time limit for the application for pollutant discharge licenses. Enterprises, public institutions and other production operators (the “pollutant discharge entities”) included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources shall apply for and obtain a pollutant discharge license as per the prescribed time limit; and, it is temporarily unnecessary for pollutant discharge entities not included in the catalog of classified management of pollutant discharge licenses for stationary pollution sources to apply for a pollutant discharge license.

Pursuant to the Catalogue of Classified Management of Pollutant Discharge Permits for Stationary Pollution Sources (2017 Edition) issued and took effect on July 28, 2017 by the MEP, where any enterprise, public institution or any other production operator outside industries of the first category to the 32nd category hereunder has general processes such as boiler, industrial furnace, electroplating or the centralized treatment of domestic sewage or industrial wastewater in the industries of the 33rd category, it shall apply for the pollutant discharge permit for general processes. The ready-mixed concrete industry does not belong to the industry requiring a discharge permit in the aforesaid list of regulations.

Environmental protection laws and regulations imposed on infrastructure constructors in the PRC mainly include the Environmental Protection Law of the PRC (《中華人民共和國環境保護法》) (promulgated and implemented on December 26, 1989, amended and passed on April 24, 2014, and implemented on January 1, 2015); the Law for Prevention and Control of Atmospheric Pollution of the PRC (《中華人民共和國大氣污染防治法》) (promulgated on September 5, 1987, first amended on August 29, 1995 and April 29, 2000, second amended on August 29, 2015 and latest amended on October 26, 2018); the Law for Prevention and Control of Water Pollution of the PRC (《中華人民共和國水污染防治法》) (promulgated on May 11, 1984 and subsequently amended on May 15, 1996, February 28, 2008 and June 27, 2017); and the Law for Prevention and Control of Environmental Pollution by Solid Waste of the PRC (《中華人民共和國固體廢物污染環境防治法》) (promulgated on October 30, 1995 and amended on December 29, 2004, June 29, 2013, April 24, 2015 and November 7, 2016).

The types and severity of sanctions enforced on entities violating environmental protection law depend on the seriousness of the pollution and the breach of relevant laws and regulations committed. Such sanctions include warnings, penalties, and remedies with time limitation, cessation of operation or closure of business. Such entities are also required to indemnify the unit or individual which has suffered losses. Any person that be liable directly for any serious pollution incidents resulting in material losses of public or private property or casualties shall be subject to criminal liabilities.



Protecting the environment is a fundamental national policy of the State. The State shall adopt economic and technological policies and measures conducive to economically and cyclically utilizing resources, protecting and improving the environment and enhancing the harmony between mankind and the nature so as to coordinate economic and social development with environmental protection. In the chapters or explanations of the programs concerning environmental impacts, an analysis, prediction and appraisal of the environment impacts of the program after it is implemented shall be made, and countermeasures shall be put forward for preventing or mitigating the unfavorable environmental impacts. Such chapters or explanations shall form a part of the draft of the programs and shall be reported to the organ in charge of the examination and approval of the programs. The examination and approval organ may not approve any draft of program which have not prepared a chapter or explanation of the environmental impacts.

According to the laws and regulations concerning environmental protection and safety production, construction entities must adopt measures to control environmental pollution and harm resulting from their dust, waste gas or water, solid waste materials, noise and vibration at construction sites. The State and local governmental authorities that in charge of environmental protection are both responsible for the supervision and administration of environmental protection during construction.

#### **LEGAL SUPERVISIONS OVER LABOR PROTECTION IN THE PRC**

According to the Labor Law of the PRC (《中華人民共和國勞動法》) (Order No. 28 of the President of the PRC) (the “**Labor Law**”), which was issued by the Standing Committee of the National People’s Congress on July 5, 1994, came into effect on January 1, 1995 and amended on August 27, 2009 and December 29, 2018, employers shall develop and improve their rules and regulations to ensure that workers enjoy their labor rights and perform their labor obligations. Employers shall develop and improve the system of labor safety and sanitation, strictly implement the national protocols and procedures on labor safety, guard against labor safety accidents and reduce occupational hazards. Labor safety and sanitation facilities shall meet the relevant national standards. Employers must provide workers with the necessary labor protection equipment that meets the safety and hygiene conditions stipulated by the State, and conduct regular health checks for workers who engage in occupational hazards. Laborers engaged in special operations shall have received specialized training and obtained the pertinent qualifications.

According to the Labor Contract Law of the PRC (《中華人民共和國勞動合同法》) (Order No. 65 of the President of the PRC) (issued by the Standing Committee of the National People’s Congress on June 29, 2007, came into effect on January 1, 2008 and revised on December 28, 2012, came into effect on July 1, 2013) and the Implementation Regulation on Labor Contract Law of the PRC (《中華人民共和國勞動合同法實施條例》) (Order No. 535 of the State Council) (promulgated by the State Council on September 18, 2008 and became effect on the same day), regulate both parties through a labor contract, namely the employer and the employee, and contain specific articles involving the terms of the labor contract. Meanwhile, it is stipulated labor contracts must be concluded in written forms, upon reaching an agreement

after due negotiation, an employer and an employee may enter into a fixed-term labor contract, a non-fixed-term labor contract or a labor contract that concludes upon the completion of certain work assignment. After reaching an agreement upon due negotiation with employees or fulfilling other circumstances in line with legal conditions, an employer may legally terminate a labor contract and dismiss its employees. Labor contracts concluded before the issuance of Labor Law and existing during its effective term shall continue to be acknowledged.

According to the Interim Regulations on Collection and Payment of Social Insurance Premiums (《社會保險費徵繳暫行條例》), the Regulation on Work Injury Insurance (《工傷保險條例》), the Regulations on Unemployment Insurance (《失業保險條例》) and the Trial Measures on Employee Maternity Insurance of Enterprises (《企業職工生育保險試行辦法》), enterprises in the PRC shall provide their employees with benefit plans, which include basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance. Employers must carry out social insurance registration with local social insurance agency, provide social insurance and pay or withhold the relevant social insurance premiums for or on behalf of employees. According to the Social Insurance Law of PRC (《中華人民共和國社會保險法》) (No. 35 Order of the President of the PRC), which was promulgated by the Standing Committee of the National People's Congress on October 28, 2010 and amended on December 29, 2018, for employers failing to conduct social insurance registration, the administrative department of social insurance shall order them to make corrections within a prescribed time limit; if they still fail to do so within the time limit, employers shall have to pay a penalty over one time but no more than three times of the amount of the social insurance premium payable by them, and their executive staffs and other directly responsible persons shall be fined RMB500 to RMB3,000. Also, it has consolidated pertinent provisions for basic pension insurance, unemployment insurance, maternity insurance, work injury insurance and basic medical insurance, and the legal obligations and liabilities of employers who do not comply with relevant laws and provisions on social insurance have been stipulated in detail.

According to the Regulations on the Administration of Housing Provident Fund (《住房公積金管理條例》) (Order No. 262 of the State Council) (issued by the State Council on April 3, 1999 and became effective on the same day, and amended on March 24, 2002), the housing provident fund contributions by an individual employee and housing provident fund contributions by his or her employer shall be owned by the individual employee. Employers shall timely pay the housing provident fund in full and overdue or insufficient payment shall be prohibited. Employers shall process the housing fund payment and deposit registration in the housing provident fund administrative center. For enterprises who violate the above laws and regulations and fail to apply for housing provident fund deposit registration or open housing provident fund accounts for their employees, the housing provident fund administrative center shall order the relevant enterprises to make corrections within a designated period. Those enterprises failing to process registration provident fund accounts for their employees within the designated period shall be subject to a fine ranging from RMB10,000 to RMB50,000. When enterprises violate those provisions and fail to pay the housing provident fund in full amount as due, the housing provident fund administrative center will order such enterprises to pay up the amount within a prescribed period; if those enterprises still fails to comply with the regulations upon the expiration of the above-mentioned time limit, further application will be made to the People's Court for mandatory enforcement.

**REGULATIONS RELATING TO INTELLECTUAL PROPERTY****Trademark Law**

Trademarks are protected by the Trademark Law of the PRC (《中華人民共和國商標法》) (Order No. 10 of the Standing Committee of the National People's Congress) (issued by the Standing Committee on August 23, 1982, came into effect on March 1, 1983 and amended on February 22, 1993, October 27, 2001, August 30, 2013 and April 23, 2019, and will take effect on November 1, 2019) and the Implementation Regulation of the PRC trademark Law (《中華人民共和國商標法實施條例》) (Order No. 651 of the State Council) (adopted by the State Council on April 29, 2014 and came into effect on May 1, 2014). The trademark Office under the General Administration for Industry and Commerce handles trademark registration and grants registered trademarks for a validity period of 10 years. Trademarks may be renewable every ten years where a registered trademark needs to be used after the expiration of its validity period. Trademark registrants may license, authorize others to use their registered trademark by signing up a trademark license contract. The trademark license agreements shall be submitted to the trademark office for recording. For trademarks, trademark law adopts the principle of "first come, first file" with respect to trademark registration. Where a trademark under registration application is identical with or similar to another trademark that has, in respect of the same or similar commodities or services, been registered or, after preliminary examination and approval, this application for such trademark registration may be rejected. Anyone applying for trademark registration shall not prejudice the existing right first obtained by anyone else, or forestall others in registering a trademark which others have already begun to use and which has "sufficient degree of reputation".

**Patent Law**

According to the Patent Law of the PRC (《中華人民共和國專利法》) promulgated by the Standing Committee of the NPC on March 12, 1984 and subsequently amended on September 4, 1992, August 25, 2000 and December 27, 2008, respectively and its implementation rules (amended on January 9, 2010), patents of invention, utility model and exterior design are entitled to legal protection. Only inventions and utility models which are original, creative and practicable shall be granted patents. For exterior design, patent will only be granted to new design, and there shall be no patent application from other unit or individual being submitted to the patent administrative department of the State Council before the relevant date of application and recorded in the patent document published after the date of application. The patents for invention, utility model and exterior design shall be valid for 20 years, 10 years and 10 years, respectively, commencing from the date of application.

**Copyright law**

The Copyright Law of the PRC (《中華人民共和國著作權法》) (Order No. 31 of the President of the PRC) (issued by the Standing Committee of the National People's Congress on September 7, 1990, came into effect on June 1, 1991 and revised on October 27, 2001 and February 26, 2010) provides that works of PRC citizens, legal persons or other organizations, which include, works of literature, art, natural sciences, social sciences, engineering technology and computer software created in writing or oral or other forms, whether published or not, enjoy copyright in their works. Copyright holders may enjoy multiple rights, which include the right of publication, the right of authorship and the right of reproduction.

The Computer Software Copyright Registration Measures (《計算機軟件著作權登記辦法》) (Order No. 1 of the National Copyright Administration) (promulgated by the National Copyright Administration on February 20, 2002, and came into effect on the same day) regulates registrations of software copyright, the exclusive licensing contracts for software copyright and transfer contracts. The National Copyright Administration of PRC shall be competent authority for the registration and management of national software copyright and the Copyright Protection Center of China is the software registration organization authority. The Copyright Protection Center of China shall grant registration certificates to the computer software copyright applicants which conforms to the regulations of both the Software Copyright Measures (《計算機軟件著作權登記辦法》) and the Regulations on Protection of Computers Software (《計算機軟件保護條例》) (Order No. 339 of the State Council) (issued by the State Council on December 20, 2001, came into effect on January 1, 2002 and revised on January 8, 2011 and January 30, 2013).

**Domain Name**

The Measures on the Administration of Domain Names (《互聯網絡域名管理辦法》) (Order No. 43 of the Ministry of Industry and Information Technology) (issued by the Ministry on August 24, 2017 and came into effect on November 11, 2017), the Ministry of Industry and Information Technology shall be responsible for managing Internet network domain names in China. The principle of “first come, first file” is adopted for domain name. The applicant of domain name registration shall provide the agency of domain name registration with the true, accurate and complete information relating to the domain name to be applied for, and sign the registration agreements as well. Upon a permit for the domain name is granted, the applicant will become the holder of the right use of the relevant domain name within the validity period of its permit. The measures provide the registration of domain names in China with the Internet country code of “.cn”.

**SECURITIES LAW AND REGULATIONS**

The PRC has promulgated a number of regulations that relate to the issue and trading of the Shares and disclosure of information. In October 1992, the State Council established the Securities Committee and the CSRC. The Securities Committee was responsible for coordinating the drafting of securities regulations, formulating securities-related policies, planning the development of securities markets, directing, coordinating and supervising all securities related institutions in the PRC and administering the CSRC. The CSRC was the regulatory body of the Securities Committee and responsible for the drafting of regulatory provisions of securities markets, supervising securities firms, regulating public offers of securities by PRC companies in the PRC or overseas, regulating the trading of securities, compiling securities-related statistics and undertaking research and analysis. In 1998, the State Council dissolved the Securities Committee of the State Council and assigned its function to the CSRC. The CSRC is also responsible for the regulation and supervision of the national stocks and futures market according to laws, regulations and authorizations.

The Securities Law took effect on July 1, 1999 and was last amended on August 31, 2014. This is the first securities law in the PRC, and it is divided into 12 chapters and 240 articles regulating, among other things, the issue and trading of securities, takeovers by listed companies, securities exchanges, securities firms and the duties and responsibilities of the State Council's securities regulatory authorities. The Securities Law regulates activities in the PRC securities market. Article 238 of the Securities Law provides that a PRC company must obtain prior approval from the State Council's regulatory authorities to list its shares overseas. Article 239 of the Securities Law provides that specific provisions in respect of shares of companies in the PRC which are to be subscribed and traded in foreign currencies shall be separately formulated by the State Council. Currently, the issue and trading of foreign issued shares (including H Shares) are still governed by the rules and regulations promulgated by the State Council and the CSRC.

**Overseas Listing**

The shares of a company shall only be listed overseas after obtaining approval from the securities regulatory authority of the State Council and the listing must be arranged in accordance with procedures specified by the State Council.

According to the Special Regulations, a company's plan to issue overseas listed foreign invested shares and domestic invested shares which has been approved by the securities regulatory authority of the State Council may be implemented by the board of directors of a company by way of separate issues, within fifteen months after approval is obtained from the CSRC.

### **Suspension and Termination of Listing**

All provisions on the suspension and termination of listing were deleted from the PRC Company Law. The following revisions were made in the Securities Law:

Where a listed company is in any of the following circumstances, the stock exchange shall decide to suspend the listing of its stocks:

- (i) Where the total amount of capital stock or share distribution of the company changes and thus, fails to meet the requirements of listing;
- (ii) Where the company fails to publicize its financial status according to the relevant provisions or has any false record in its financial statements, which may mislead the investors;
- (iii) Where the company has material violation of law;
- (iv) Where the company has been operating at a loss for the latest 3 consecutive years;  
or
- (v) Under any other circumstance as prescribed in the listing rules of the stock exchange.

According to the Securities Law, under the above (i) circumstances, and the company fails again to meet the requirements of listing within the period as prescribed by the stock exchange; and under the above (ii) circumstances, and the company refuses to make any correction; as well as under the above (iv) circumstances, and the company fails to gain profits in the year thereafter; the stock exchange shall decide to terminate the listing of its stocks.

### **ARBITRATION AND ENFORCEMENT OF ARBITRAL AWARDS**

The Arbitration Law of the PRC (《中華人民共和國仲裁法》) (hereinafter referred to as “Arbitration Law”) was passed by the Standing Committee of the NPC on August 31, 1994 and the latest version was amended on September 1, 2017 and came into effect on January 1, 2018. It is applicable to contract disputes and other property disputes between natural persons, legal persons and other organizations where the parties have entered into a written agreement to refer the matter to arbitration before an arbitration committee constituted in accordance with the Arbitration Law. Under the Arbitration Law, an arbitration committee may, before the promulgation by the PRC Arbitration Association of arbitration regulations, formulate provisional arbitration rules in accordance with the Arbitration Law and the PRC Civil Procedure Law. Where the parties have by agreement provided arbitration as the method for dispute resolution, the people’s court will refuse to handle the case.

The Hong Kong Listing Rules and the Mandatory Provisions require an arbitration clause to be included in the Articles of Association and, in the case of the Hong Kong Listing Rules, also in contracts with each of the Directors and Supervisors, to the effect that whenever any disputes or claims arise between holders of the H Shares and us; holders of the H Shares and the Directors, Supervisors or officers; or holders of the Shares, in respect of any disputes or claims in relation to our affairs or as a result of any rights or obligations arising under the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations, such disputes or claims shall be referred to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the entire claim or dispute must be referred to arbitration, and all persons who have a cause of action based on the same facts giving rise to the dispute or claim or whose participation is necessary for the resolution of such dispute or claim, if they are shareholders, Directors, Supervisors, officers of us, shall be subject to the arbitration. Disputes in respect of who is the shareholder and those in relation to our register of shareholders need not be resolved by arbitration.

A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission (“CIETAC”) in accordance with its rules or the Hong Kong International Arbitration Center (“HKIAC”) in accordance with its securities arbitration rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral body elected by the claimant. If the claimant elects for arbitration to be carried out at the HKIAC, any party to the dispute or claim may apply for a hearing to take place in accordance with the securities arbitration rules of the HKIAC.

Under the Arbitration Law and the PRC Civil Procedure Law, an arbitral award is final and binding on the parties. If a party fails to comply with an award, the other party to the award may apply to the people’s court for enforcement. A people’s court may refuse to enforce an arbitral award made by an arbitration tribunal if there is any procedural or membership irregularity specified by law or the award exceeds the scope of the arbitration agreement or is outside the jurisdiction of the arbitration tribunal.

A party seeking to enforce an arbitral award of PRC arbitration panel against a party who, or whose property, is not within the PRC, may apply to a foreign court with jurisdiction over the case for enforcement. Similarly, an arbitral award made by a foreign arbitration body may be recognized and enforced by the PRC courts in accordance with the principles of reciprocity or any international treaty concluded or acceded to by the PRC. The PRC acceded to the Convention on the Recognition and Enforcement of Foreign Arbitral Awards (hereinafter referred to as “New York Convention”) adopted on June 10, 1958 pursuant to a resolution of the Standing Committee of the National People’s Congress passed on December 2, 1986. The New York Convention provides that all arbitral awards made in a state which is a party to the New York Convention shall be recognized and enforced by other parties to the New York Convention, subject to their right to refuse enforcement under certain circumstances, including where the enforcement of the arbitral award is against the public policy of the State to which the application for enforcement is made. It was declared by the Standing Committee of the

NPC simultaneously with the accession of the PRC that (i) the PRC will only recognize and enforce foreign arbitral awards on the principle of reciprocity and (ii) the PRC will only apply the New York Convention in disputes considered under PRC laws to arise from contractual and non-contractual mercantile legal relations.

On June 18, 1999, an arrangement was made between Hong Kong and the Supreme People's Court of the PRC for the mutual enforcement of arbitral awards. This new arrangement was approved by the Supreme People's Court of the PRC and the Hong Kong Legislative Council, and became effective on February 1, 2000. The arrangement is made in accordance with the spirit of the New York Convention. Under the arrangement, awards made by PRC arbitration bodies pursuant to the Arbitration Law can be enforced in Hong Kong. Hong Kong arbitral awards pursuant to the Arbitration Ordinance of Hong Kong are also enforceable in the PRC.

### **ESTABLISHMENT OF OVERSEAS OPERATIONS RULES AND REGULATIONS**

According to the Provisions for Overseas Investment Management (《境外投資管理辦法》) (MOFCOM Order [2014] No. 3) promulgated by the MOFCOM and took effect on October 6, 2014, and the Provisions on the Foreign Exchange Administration of Overseas Investment of Domestic Institutions (《境內機構境外直接投資外匯管理規定》) (Hui Fa [2009] No. 30) issued by the SAFE and took effect on August 1, 2009, upon obtaining approval from the MOFCOM to establish enterprises overseas, PRC enterprises shall apply for foreign exchange registration for overseas investment.

According to the Management Measures on Overseas Investment of Enterprise (《企業境外投資管理辦法》) (NDRC Order No. 11) promulgated by the NDRC and took effect on March 1, 2018, the investing activities of PRC enterprises such as acquiring overseas ownerships, controlling rights, operating and management rights and other relevant interests by way of investing assets and interests or providing financing and guarantees to control its overseas enterprises, either directly or indirectly, are required to obtain approval or lodge filing with NDRC in accordance with the relevant conditions of the overseas investment projects.

### **MATERIAL DIFFERENCES BETWEEN CERTAIN ASPECTS OF COMPANY LAW IN THE PRC AND HONG KONG**

Hong Kong company law is primarily set out in the Companies Ordinance and the Companies (Winding Up and Miscellaneous Provisions) Ordinance, supplemented by common law and rules of equity that apply to Hong Kong. As a joint stock limited company incorporated in the PRC, we are governed by the PRC Company Law and all other rules and regulations promulgated pursuant to the PRC Company Law.

Set out below is a summary of certain material differences between Hong Kong company law and the PRC Company Law. This summary is, however, not intended to be an exhaustive comparison.



**Corporate Existence**

Under Hong Kong company law, a company with share capital is incorporated by the Registrar of Companies in Hong Kong, which issues a certificate of incorporation to the Company upon its incorporation, and the company will acquire an independent corporate existence henceforth. A company may be incorporated as a public company or a private company.

Under the PRC Company Law, a joint stock limited company may be incorporated by promotion or public subscription.

**Share Capital**

Under the Companies Ordinance, the concept of the nominal value (also known as par value) of shares of a Hong Kong company has been abolished, and the companies have increased flexibility to alter its share capital by (i) increasing its share capital; (ii) capitalizing its profits; (iii) allotting and issuing bonus shares with or without increasing its share capital; (iv) converting its shares into larger or smaller number of shares; and (v) canceling its shares. The concept of authorized capital no longer applies to a Hong Kong company formed on or after March 3, 2014 as well. Hence, the directors of a Hong Kong company may, with the prior approval of the shareholders, if required, cause the company to issue new shares. The PRC Company Law does not provide for authorized share capital. Any increase in the registered capital of a PRC company must be approved by its shareholders' general meeting and the relevant PRC governmental and regulatory authorities (if applicable).

Under the PRC Securities Law, a company which is authorized by the relevant securities regulatory authority to list its shares on a stock exchange must have a total share capital of not less than RMB30 million. The Companies Ordinance does not prescribe any minimum capital requirement for companies incorporated in Hong Kong.

Under the PRC Company Law, the shares may be subscribed for in the form of money or non-monetary assets (other than assets not entitled to be used as capital contributions under relevant laws or administrative regulations). For non-monetary assets to be used as capital contributions, appraisals must be carried out to ensure there is no over-valuation or under-valuation of the assets. There is no such restriction on a company incorporated in Hong Kong.

**Restrictions on Shareholding and Transfer of Shares**

Generally, domestic shares, which are denominated and subscribed for in Renminbi, may only be subscribed for or traded by the State, PRC legal persons, natural persons and other investment institutions as permitted by laws and regulations. Overseas listed shares, which are denominated in Renminbi and subscribed for in a currency other than Renminbi, may only be subscribed for, and traded by, investors from Hong Kong, Macau and Taiwan or any country and territory outside the PRC, or qualified domestic institutional investors. If the H shares are eligible securities under the Southbound Trading Link, they may also be subscribed for and traded by PRC investors in accordance with the rules and limits of Shanghai-Hong Kong Stock Connect or Shenzhen-Hong Kong Stock Connect.

Under the PRC Company Law, a promoter of a joint stock limited company is not allowed to transfer the shares it holds for a period of one year after the date of establishment of the company.

Shares in issue prior to a public offering of the company cannot be transferred within one year from the listing date of the shares on a stock exchange. Shares in a joint stock limited liability company held by its directors, supervisors and senior management and transferred each year during their term of office shall not exceed 25% of the total shares held by them in that company, and the shares they held in that company cannot be transferred within one year from the listing date of the shares, and also cannot be transferred within half a year after the said personnel has left office. The articles of association may set out other restrictive requirements on the transfer of a company's shares held by its directors, supervisors and senior management. Generally, there are no restrictions on shareholdings and transfers of shares under Hong Kong law and rules apart from (i) the restriction on the Company to issue additional Shares within six months, and (ii) 12-month lockup on Controlling Shareholders' disposal of Shares, after the Global Offering.

**Financial Assistance for Acquisition of Shares**

The PRC Company Law does not prohibit or restrict a joint stock limited company or its subsidiaries from providing financial assistance for the purpose of an acquisition of its own or its holding company's shares. However, the Mandatory Provisions contain certain restrictions on a company and its subsidiaries on providing such financial assistance similar to those under Hong Kong company law.

**Notice of Shareholders' Meetings**

Under the PRC Company Law, notice of a shareholder's annual general meeting must be given not less than twenty (20) days before the meeting. Whereas notice of an extraordinary general meeting must be given not less than fifteen (15) days before the meeting. If a company issues bearer shares, notice of a shareholder's general meeting must be given at least thirty (30) days prior to the meeting.

Under the Special Regulations and the Mandatory Provisions, at least forty five (45) days' written notice must be given to all shareholders in advance, and any shareholder who wishes to attend the meeting must reply in writing at least twenty (20) days before the date of the meeting.

For a company incorporated in Hong Kong with limited liability, the minimum period of notice of a general meeting is fourteen (14) days. Further, where a meeting involves consideration of a resolution requiring special notice, the company must also give its shareholders notice of the resolution at least fourteen (14) days before the meeting. The notice period for the annual shareholders' general meeting is twenty one (21) days.

### **Quorum for Shareholders' Meetings**

The PRC Company Law does not specify any quorum requirement for a shareholders' general meeting, but the Special Regulations and the Mandatory Provisions provide that general meetings may only be convened when replies to the notice of that meeting have been received from shareholders whose shares represent at least 50% of the voting rights at least twenty (20) days before the proposed date of the meeting, or if that 50% level is not achieved, the company shall within five days notify its shareholders again by way of a public announcement and the shareholders' general meeting may be held thereafter.

Under Hong Kong law, the quorum for a shareholders' meeting is two members, unless the articles of association of a company specifies otherwise or the company has only one member, in which case the quorum is one.

### **Voting at Shareholders' Meetings**

Under the PRC Company Law, the passing of any resolution requires more than one-half of the affirmative votes held by our Shareholders present in person or by proxy at a shareholders' meeting except in cases such as proposed amendments to our Articles of Association, increase or decrease of registered capital, merger, division, dissolution or transformation, which require two-thirds of the affirmative votes cast by shareholders present in person or by proxy at a shareholders' general meeting.

Under Hong Kong law, (i) an ordinary resolution is passed by a simple majority of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting, and (ii) a special resolution is passed by not less than three-fourths of affirmative votes cast by shareholders present in person, or by proxy, at a general meeting.

### **Variation of Class Rights**

The PRC Company Law makes no specific provision relating to variation of class rights.

However, the PRC Company Law states that the State Council can promulgate requirements relating to other kinds of shares. The Mandatory Provisions contain detailed provisions relating to the circumstances which are deemed to be variations of class rights and the approval procedures required to be followed in respect thereof. These provisions have been incorporated in the Articles of Association, which are summarized in "Appendix V – Summary of the Articles of Association".

Under the Companies Ordinance, no rights attached to any class of shares can be varied except (i) with the passing of a special resolution by the shareholders of the relevant class at a separate meeting sanctioning the variation, (ii) with the written consent of shareholders representing at least three-fourths of the total voting rights of shareholders of the relevant class, or (iii) if there are provisions in the articles of association relating to the variation of those rights, then in accordance with those provisions.

We have incorporated provisions to protect the rights of class shares into the Articles of Association in a similar way as required by the laws of Hong Kong in accordance with the Hong Kong Listing Rules and Mandatory Provisions. The Articles of Association define the holders of overseas listed shares and domestic shares as shareholders of different classes of shares. The special procedure for voting by class shareholders is not applicable in the following circumstances: (1) after approval by a special resolution in shareholders' general meeting, the Company issue domestic shares and overseas listed foreign shares separately or at the same time at an interval of 12 months, and the proposed number of domestic shares and overseas listed foreign shares to be issued respectively will not exceed 20% of the outstanding issued shares of such class; (2) the plans to issue domestic shares and overseas listed foreign shares upon establishment of the Company are completed within 15 months from the date of approval by the securities regulatory authority of the State Council; and (3) after the Company has issued H shares in an overseas region, and after approval has been granted by the State Council or the securities regulatory authority of the State Council, the shareholders of the Company offer the unlisted shares held by them for listing and dealing in overseas regions.

#### **Derivative Action by Minority Shareholders**

Under Hong Kong company law, a shareholder may, with the leave of the Court, start a derivative action on behalf of a company for any misconduct committed by its directors against the company. For example, leave may be granted where the directors control a majority of votes at a general meeting, and could thereby prevent the company from suing the directors in its own name for their misconduct. Pursuant to the PRC Company Law, in the event where the directors and senior management of a joint stock limited company violate laws, administrative regulations or its articles of association, resulting in losses to the company, the shareholders individually or jointly holding over 1% of the shares in the company for more than 180 consecutive days may request in writing the supervisory committee to initiate proceedings in the people's court. In the event that the supervisory committee violates as such, the above said shareholders may send written request to the board of directors to initiate proceedings in the people's court. Upon receipt of such written request from the shareholders, if the supervisory committee or the board of directors refuses to initiate such proceedings, or has not initiated proceedings within 30 days upon receipt of the request, or if under urgent situations, failure of initiating immediate proceedings may cause irremediable damages to the company, the above said shareholders shall, for the benefit of the company's interests, have the right to initiate proceedings directly to the court in their own name.

The Mandatory Provisions further provide us with certain remedies against the Directors, Supervisors and senior management who breach their duties to the Company. In addition, as a condition to the listing of overseas listed foreign shares on the Hong Kong Stock Exchange, each director and supervisor of a joint stock limited company is required to give an undertaking to observe the articles of association in favor of the company. This allows minority Shareholders to take action against our Directors and Supervisors in default.

### **Protection of Minority Shareholder**

Under Hong Kong law, a shareholder who alleges that the affairs of a company are conducted in a manner unfairly prejudicial to his interests may petition to the Court to make an appropriate order to give relief to the unfairly prejudicial conduct. Alternatively, pursuant to the Companies (Winding Up and Miscellaneous Provisions) Ordinance, a shareholder may seek to wind up the company on the just and equitable ground. In addition, on the application of a specified number of members, the Financial Secretary may appoint inspectors who are given extensive statutory powers to investigate the affairs of a company incorporated or registered in Hong Kong.

The PRC Company Law provides that any shareholders holding 10% or above of voting rights of all issued shares of a company may request a people's court to dissolve the company to the extent that the operation or management of the company experiences any serious difficulties and its continuous existence would cause serious losses to them, and no other alternatives can resolve such difficulties.

The Company, as required by the Mandatory Provisions, has adopted in its Articles of Association minority Shareholder protection provisions similar to (though not as comprehensive as) those available under the Hong Kong law. These provisions state that a controlling Shareholder may not exercise its voting rights in a manner prejudicial to the interests of other Shareholders, may not relieve a Director or Supervisor of his duty to act honestly in our best interests or may not approve the expropriation by a Director or Supervisor of our assets or the individual rights of other Shareholders.

### **Directors**

The PRC Company Law, unlike Hong Kong company law, does not contain any requirements relating to the declaration of directors' interests in material contracts, restrictions on directors' authority in making major dispositions, restrictions on companies providing certain benefits to directors and indemnification in respect of directors' liability and prohibitions against compensation for loss of office without shareholders' approval. The Mandatory Provisions, however, contain certain requirements and restrictions on major disposals and director's interests in the subject matters to be discussed and specify the circumstances under which a director may receive compensation for loss of office.

### **Supervisory Committee**

Under the PRC Company Law, a joint stock limited company's directors and senior management are subject to the supervision of a supervisory committee. There is no mandatory requirement for the establishment of a supervisory committee for a company incorporated in Hong Kong.

The Mandatory Provisions provide that each supervisor owes a duty, in the exercise of his powers, to act in good faith and honestly in what he considers to be in the best interests of the company and to exercise the care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances.

### **Fiduciary Duties**

In Hong Kong, directors owe fiduciary duties to the company, including the duty not to act in conflict with the company's interests. Furthermore, the Companies Ordinance has codified the directors' statutory duty of care. Under the Special Regulations, directors, supervisors, managers and other members of senior management of the company shall honestly and diligently perform their duties for the company.

### **Financial Disclosure**

Under the PRC Company Law, a joint stock limited company is required to make available at the company for inspection by shareholders its financial report 20 days before its annual general meeting. In addition, a joint stock limited company of which the shares are publicly offered must publish its financial report. The Companies Ordinance requires a company incorporated in Hong Kong to send to every shareholder a copy of its financial statements, auditors' report and directors' report, which are to be presented before the company in its annual general meeting, not less than twenty one (21) days before such meeting. According to the PRC laws, a company shall prepare its financial accounting reports as at the end of each accounting year, and submit the same to accounting firms for auditing as required by law. The Mandatory Provisions require that a company must, in addition to preparing financial statements according to the Chinese Accounting Standards, have its financial statements prepared and audited in accordance with international or Hong Kong accounting standards and its financial statements must also contain a statement of the financial effect of the material differences (if any) from the financial statements prepared in accordance with the Chinese Accounting Standards.

The Special Regulations require that there should not be any inconsistency between the information disclosed within and outside the PRC and that, to the extent that there are differences in the information disclosed in accordance with the relevant PRC and overseas laws, regulations and requirements of the relevant stock exchanges, such differences should also be disclosed simultaneously.

### **Information on Directors and Shareholders**

The PRC Company Law gives shareholders the right to inspect the company's articles of association, minutes of the general meetings and financial and accounting reports. Under the article of association, shareholders have the right to inspect and copy (at reasonable charges) certain information on shareholders and on directors which is similar to the rights of shareholders of Hong Kong companies under the Companies Ordinance.

**Receiving Agent**

Under the Hong Kong law, dividends once declared by the board of directors will become debts payable to shareholders. The limitation period for debt recovery action under Hong Kong law is six years, while under the PRC law this limitation period is two years. The Mandatory Provisions require that the relevant company shall appoint a receiving agent for shareholders who hold overseas listed foreign shares, and the receiving agent shall receive on behalf of such holders of shares dividends declared and other monies owed by the company in respect of its overseas listed foreign shares.

**Corporate Reorganization**

Corporate reorganization involving a company incorporated in Hong Kong may be effected in a number of ways, such as a transfer of the whole or part of the business or property of the company in the course of voluntary winding up to another company pursuant to Section 237 of the Companies (Winding Up and Miscellaneous Provisions) Ordinance or a compromise or arrangement between the company and its creditors or between the company and its members pursuant to Section 673 and Division 2 of Part 13 of the Companies Ordinance, which requires the sanction of the court. In addition, subject to the shareholders' approval, an intra-group wholly-owned subsidiary company may also be amalgamated horizontally or vertically under the Companies Ordinance.

Under PRC law, merger, division, dissolution or change to the status of a joint stock limited liability company has to be approved by shareholders in general meeting.

**Special Withdrawal**

Under the PRC Company Law, a joint stock limited liability company is required to make transfers equivalent to certain prescribed percentages of its after tax profit to the statutory common reserve fund. There are no corresponding provisions under Hong Kong law.

**Arbitration of Disputes**

In Hong Kong, disputes between shareholders and a company or its directors, managers and other senior management may be resolved through the courts. The Mandatory Provisions provides that disputes between a holder of H shares and the Company, a holder of H shares and directors, supervisors, managers and other members of senior management of the Company or a holder of H shares and a holder of domestic listed shares, arising from the Articles of Association, the PRC Company Law or other relevant laws and administrative regulations which concerns the affairs of the Company should, with certain exceptions, be referred to arbitration at either the HKIAC or the CIETAC. Such arbitration is final and conclusive.

The Securities Arbitration Rules of the HKIAC contain provisions allowing, upon application by any party, an arbitral tribunal to conduct a hearing in Shenzhen for cases involving the affairs of companies incorporated in the PRC and listed on the Hong Kong Stock Exchange so that PRC parties and witnesses may attend. Where any party applies for a hearing to take place in Shenzhen, the tribunal shall, where satisfied that such application is based on bona fide grounds, order the hearing to take place in Shenzhen conditional upon all parties, including witnesses and arbitrators, being permitted to enter Shenzhen for the purpose of the hearing. Where a party, other than a PRC party or any of its witnesses or any arbitrator, is not permitted to enter Shenzhen, then the tribunal shall order that the hearing be conducted in any practicable manner, including the use of electronic media. For the purpose of the Securities Arbitration Rules of the HKIAC, a PRC party means a party domiciled in the PRC other than the territories of Hong Kong, Macau and Taiwan.

### **Remedies of a Company**

Under the PRC Company Law, if a director, supervisor or manager in carrying out his duties infringes any law, administrative regulation or the articles of association of a company, which results in damage to the company, that director, supervisor or manager should be responsible to the company for such damages. The Hong Kong Listing Rules require that the standard of shareholders' interest protection should be at least equivalent to those available under Hong Kong law (including rescission of the relevant contract and recovery of profits from a director, supervisor or senior management).

### **Dividends**

The company has the power in certain circumstances to withhold, and pay to the relevant tax authorities, any tax payable under PRC law on any dividends or other distributions payable to a shareholder. Under Hong Kong law, the limitation period for an action to recover a debt (including the recovery of declared dividends) is six years, whereas under PRC laws, the relevant limitation period is three years. The company must not exercise its powers to forfeit any unclaimed dividend in respect of shares until after the expiry of the applicable limitation period.

### **Closure of Register of Shareholders**

The Companies Ordinance requires that the register of shareholders of a company must not be closed for the registration of transfers of shares for more than thirty (30) days (extendable to sixty (60) days in certain circumstances) in a year. As required by the Mandatory Provisions, share transfers shall not be registered within thirty (30) days before the date of convening a general meeting or within five (5) days before the base date of distribution of dividends.



This appendix sets out the summary of the principal provisions of the Articles of Association and their subsequent amendments which will be effective on the date of the Listing of H Shares on the Stock Exchange. The principal objective of this appendix is to provide potential investors with an overview of the Articles of Association, hence it does not contain all information that may be important to potential investors. As stated in the section “Documents Delivered to the Registrar of Companies and Available for Inspection” in Appendix VII of the Prospectus, the full Chinese text of the Articles of Association is available for inspection.

## **SHARES**

### **Shares and Registered Capital**

All the shares issued by the Company are common shares. The Company may have other classes of shares according to its needs, upon approval by the authorities authorized by the State Council. The shares of the Company shall take the form of share certificates.

The shares of the Company shall be issued in accordance with the principles of openness, equitability and fairness. Each share of the same class shall carry the same rights. Shares of the same class and the same issue shall be issued on the same conditions and at the same price. Any entity or individual shall pay the same price for each of the shares it/he subscribes for. The domestic shares and overseas listed foreign shares issued by the Company shall enjoy equal rights in the distribution of dividend or distribution in any other form.

Upon approval by the securities regulators of the State Council, the Company may offer its shares to both domestic and foreign investors. The shares issued by the Company to domestic investors in RMB are called domestic shares. The shares issued by the company to foreign investors for foreign currency are called H shares. Domestic shares can be converted into H Shares upon approval of the State Council or the institution authorized by the State Council and the consent of the Hong Kong Stock Exchange. Upon approval by the securities regulator of the State Council, domestic shareholders of the Company may transfer all or part of shares held by them to overseas investors and have such shares listed and traded on overseas stock exchanges. All or part of domestic shares may be converted in to foreign shares, and such converted foreign shares are allowed to listed and traded on overseas stock exchanges. Shares transferred and listed on an overseas stock exchange shall also be subject to the regulatory procedures, regulations and requirements of the overseas stock exchange. The listing and trading on such overseas stock exchange of shares so transferred do not need approval by voting at general meetings or meetings of class shareholders. The overseas listed foreign shares converted from domestic shares shall be of the same class with the existing overseas listed foreign shares.

**Increase or Reduction of Capital and Buyback of Shares**

Based on its business and development requirements, the Company may increase its capital subject to relevant requirements of the Articles of Association, by any of the following methods:

- (I) public offering of shares;
- (II) private placement of shares;
- (III) issue of bonus shares or placement of new shares to existing shareholders;
- (IV) increase share capital by conversion of common reserve fund; or
- (V) other methods permitted by laws and administrative regulations and approved by the securities regulatory department of the State Council.

If the Company is to increase its capital by an offering of new shares, it shall do so by the procedure provided for in relevant state laws after such increase has been approved in accordance with the Articles of Association.

The Company may reduce its registered capital. If the Company reduces its registered capital, it shall do so by the procedures set forth in the PRC Company Law, other relevant regulations and the Articles of Association. If the Company is to reduce its capital, it must prepare a balance sheet and a list of its property.

The Company shall notify its creditors within 10 days from the date of adoption of the resolution to reduce its registered capital and publish a public announcement of the resolution in newspapers, which is recognized by relevant regulatory bodies of locality on which the Company's shares are listed, within 30 days, and, according to the requirements of such locality, on the Company's website and related websites of stock exchanges. Creditors shall, within 30 days of receiving written notice, or within 45 days of the date of the public announcement for those who have not received written notice, be entitled to require the Company to pay its debts in full or to provide a corresponding security for repayment.

The reduced registered capital of the Company shall not be less than the statutory minimum.

The Company may, in the following circumstances, buy back its own outstanding shares by the procedures provided for in laws and the Articles of Association:

- (I) cancelation of shares in order to reduce its capital;
- (II) merger with another company holding shares of the Company;
- (III) to grant the shares for employee shareholding scheme or as share incentives;

- (IV) a shareholder opposes a resolution on the merger or division of the Company adopted at a general meeting and requests that the Company purchase his or her shares;
- (V) to use the shares for the purpose of conversion of bonds convertible to shares;
- (VI) where it is necessary to safeguard company's value and shareholders' interests;
- (VII) other circumstances approved in laws or administrative regulations or by the approval authority authorized by the State Council.

Except under the above circumstances, the Company shall not trade in its own shares.

The Company, after acquiring its own shares, shall perform its disclosure obligation as required in the Securities Law and the Hong Kong Listing Rules.

The Company may elect to buy back its own shares by any of the following methods:

- (I) issuance to all of the shareholders of a buyback offer on a pro rata basis;
- (II) buyback through open transactions on a stock exchange;
- (III) buyback by agreements outside a stock exchange; or
- (IV) another method approved in laws, administrative regulations or by the approval authority authorized by the State Council.

When repurchasing shares based on an off-market agreement, the Company shall obtain prior approval at the general meeting. Where prior approval has been obtained from the shareholders in a shareholders' meeting in the same manner, the Company may release or modify the contract entered into in the aforesaid manner or waive any rights granted under such contract.

The aggregate par value of the shares canceled shall be reduced from the amount of the Company's registered capital.

**Share Transfer**

Save as otherwise provided in laws and administrative regulations and by Hong Kong Stock Exchange, shares of the Company may be transferred freely and shall be free of any lien.

The Company shall not accept its shares as a pledge.

**Financial assistance for purchasing Shares of the Company**

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to purchasers or prospective purchasers of shares of the Company. The said purchasers of shares of the Company shall include persons who directly or indirectly assume obligations as a result of purchasing shares of the Company.

Neither the Company nor its subsidiaries shall at any time provide any financial assistance in any form to the above obligors in order to reduce or release them from their obligations.

The following behaviors shall not be regarded as subject to the provision on prohibiting the acceptance of financial assistant:

- (I) where the Company provides the relevant financial assistance genuinely for the benefit of the Company and the main purpose of the financial assistance is not to purchase the shares of the Company, or the financial assistance is an incidental part of some overall plan of the Company;
- (II) lawful distribution of the Company's property in the form of dividends;
- (III) distribution of dividends in the form of shares;
- (IV) reduction of registered capital, buyback of shares, adjustment of the equity structure, etc. in accordance with the Articles of Association;
- (V) provision of a loan by the Company within its scope of business for ordinary business (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit); and
- (VI) the provision of money by the Company for an employee shareholding scheme (provided that the same does not lead to a reduction in the net assets of the Company or that even if the same constitutes a reduction, the financial assistance is paid out of the Company's distributable profit).

**SHAREHOLDERS AND SHAREHOLDERS' GENERAL MEETING****Shareholders**

Shareholders are persons that lawfully hold shares of the Company and whose names are listed on the register of shareholders. Shareholders shall enjoy rights and bear obligations according to the class and number of shares held by them. Holders of shares of the same class shall enjoy equal rights and bear equal obligations.

Holders of ordinary shares of the Company are entitled to:

- (I) to collect dividends and other distributions in other forms in proportion to the number of shares held by them;
- (II) to request, convene, preside over, attend or appoint a proxy to attend general meetings in accordance with the law and to exercise the corresponding voting rights;
- (III) to oversee the business activities of the Company, and to make recommendations or inquiries;
- (IV) to transfer, gift or pledge shares held by them in accordance with laws, relevant regulations of the securities regulator of the place where Company shares are listed and the Articles of Association;
- (V) to obtain relevant information in accordance with the Articles of Association, which shall include:
  - 1. obtaining a copy of the Articles of Association of the Company after payment of a charge to cover costs;
  - 2. being entitled, after payment of reasonable charges, to examine and copy:
    - (1) all parts of the register of shareholders;
    - (2) personal data of Directors, Supervisors, managers and other senior management of the Company, including:
      - (a) present and former names and aliases;
      - (b) principal address (residence);
      - (c) nationality;
      - (d) full-time and all other part-time occupations and positions;

- (e) documents of identity and their numbers.
- (3) The report of the state of the Company's issued share capital;
- (4) reports containing details of the aggregate par value, quantity, and highest and lowest prices of each class of shares repurchased by the Company since the last accounting year as well as all the expenses paid by the Company therefor (separated by domestic shares and foreign shares);
- (5) meeting minutes of the shareholders' general meeting (for inspection by shareholders only) and copies of special resolutions of the Company and resolutions at meetings of the Board and board of supervisors;
- (6) the latest audited financial statements, reports of the Board, accountant's report and the Supervisory Committee's report of the Company;
- (7) if applicable, a copy of the latest return filed with the State Administration for Industry and Commerce or other competent authorities of the PRC;
- (8) stubs of corporate bonds.

The Company shall make the foregoing documents of (1), (3), (4), (5), (6) and (7) available at its domicile and at its place of business in Hong Kong for review by the public and shareholders for free (provided that the minutes of the general meeting is available for shareholders only) pursuant to the requirements of the Hong Kong Listing Rules. The Company may refuse to provide any of the aforementioned documents if the documents to be inspected or photocopied contain the Company's trade secrets and inside information.

- (VI) in the event of the termination and liquidation of the Company, the right to participate in the distribution of remaining assets of the Company in accordance with the number of shares held;
- (VII) shareholders having objection to resolutions of the general meeting concerning merger or division of the Company may require the Company to buy the shares held by them;
- (VIII) other rights conferred by laws, administrative regulations, department rules and the Articles of Association.

No powers shall be taken to freeze or otherwise impair any of the rights attaching to any share by reason only that the person or persons who are interested directly or indirectly therein have failed to disclose their interests to the Company.

If a resolution of the general meeting or Board of Directors of the Company violates a law or administrative regulation, shareholders have the right petition a court to invalidate the resolution.

If the procedure of convening or the method of voting at a general meeting or a Board meeting of the Company violates the laws, administrative regulations or the Articles of Association, or if the content of a resolution is in breach of the Articles of Association, shareholders shall have the right to petition court to revoke such resolution within 60 days from the date on which the resolution is adopted.

Subject to the provision on dispute resolution hereof, in the event of any loss caused to the Company as a result of violation of laws or the regulations of the Articles of Association by the Directors or senior management when performing their duties, any of the shareholders who holds 1% or more of the shares individually or jointly for no less than 180 consecutive days shall have the right to request the Supervisory Committee in writing to initiate litigation before the People's Court. In the event of any loss caused to the Company as a result of violation of laws or the regulations of the Articles of Association by the Supervisory Committee when performing its duties, any of the shareholders may request the Board in writing to initiate litigation before the People's Court.

In the event that the Supervisory Committee or the Board dismisses the written request of any of the shareholders as specified in the preceding provision, or withholds from instituting litigation within 30 days of the receipt of the request, or that the failure to institute litigation immediately may otherwise cause irreparable damage to the interest of the Company in an urgent circumstance, such shareholder(s) as mentioned in the preceding paragraph shall have the right to initiate litigation before the People's Court in the name(s) of such shareholder(s) in the interest of the Company.

If a third party infringes on the lawful rights and interests of the Company, thereby causing the Company to sustain a loss, the shareholders individually or in aggregate holding more than 1% of the Shares of the Company for 180 consecutive days may institute a legal action in a People's Court pursuant to the preceding two paragraphs.

In the event that any Director or senior management violates laws or regulations of the Articles of Association to the detriment of the interest of the shareholders, the shareholders may initiate litigation before the People's Court.

The holders of ordinary shares of the Company shall be subject to the following obligations:

- (I) to comply with the laws, administrative regulations and the Articles of Association;
- (II) to pay subscription moneys according to the shares subscribed for by them and the method of acquiring such shares;
- (III) to be liable to the Company to the extent of the shares they subscribed;
- (IV) save as stipulated by laws or regulations, no share refund is allowed;

- (V) not to abuse their rights as shareholders to jeopardize the Company's or other shareholder's rights; not to abuse of the Company's status as an independent legal person or any abuse of the limited liability of a shareholder to jeopardize the interests of the Company's creditors;

In the event of any damage caused to the Company or other shareholders arising from any abuse of the shareholder's right, such shareholder shall be liable for compensation in accordance with laws.

In the event of any material damage caused to the interest of the creditors of the Company arising from any abuse of the Company's independent legal person status and the limited liability of the shareholders by any shareholder to evade from debts, such shareholder shall be jointly and severally liable for the Company's debts.

- (VI) other obligations imposed by laws and the Articles of Association.

Unless otherwise specified, shareholders are not liable for making any further contribution to the share capital other than as agreed by the subscribers of the relevant shares on subscription.

If a holder of at least 5% of the voting shares of the Company wishes to create a pledge over his or her shares, he or she shall report the same in writing to the Company on the date such pledge is created.

### **General Rules of Shareholders' General Meeting**

The Shareholder's general meeting is the organ of authority of the Company and shall exercise the functions in accordance with laws.

The Shareholder's general meeting shall exercise the following functions:

- (I) to determine the operating policies and investment plans of the Company;
- (II) to elect or remove non-employee representatives Directors and supervisors, and to determine the remuneration of such Directors and supervisors;
- (III) to consider and approve reports of the Board;
- (IV) to consider and approve reports of the Supervisory Committee;
- (V) to consider and approve the proposed annual financial budgets and final accounts of the Company;
- (VI) to consider and approve the profit distribution plans and loss recovery plans of the Company;



- (VII) to decide on any increase or reduction of registered capital of the Company;
- (VIII) to decide on the issue of corporate bonds;
- (IX) to decide on matters such as merger, division, dissolution, liquidation or change of corporate form of the Company;
- (X) to amend and modify the Articles of Association;
- (XI) to pass resolutions on the engagement, dismissal or non-renewal of the engagement of accounting firms by the Company;
- (XII) to consider motions raised by a shareholder alone or shareholders together holding at least 3% of the Company's voting shares;
- (XIII) to consider and approve matters relating to the purchase and/or sale by the Company within one year of material assets valued at more than 30% of the Company's audited total assets as at the most recent period;
- (XIV) to consider and approve stock incentive plan;
- (XV) to consider and approve matters relating to connected transactions and the provision of security for third parties, which need to be approved at general meeting;
- (XVI) to consider other matters which require approval by the general meeting as stipulated by the laws, administrative regulations, departmental rules, regulatory documents, regulations of securities regulatory authorities of the locality where the Company's shares are listed and of the Articles of Association.

Subject to the laws, regulations and mandatory provisions of the listing rules of the listing place, a shareholders' general meeting may authorize or entrust the Board to handle the matters authorized or entrusted by it.

Unless in a crisis or under other special circumstances, the Company shall not, without prior approval from a general meeting by special resolution, enter into a contract with a person other than a Director, Supervisor, general manager or other senior management members whereby the management of all or a material part of the business of the Company is delegated to such person.

General meetings shall include annual general meetings and extraordinary general meetings and basically be convened by the Board. Annual meetings shall be convened once a year and shall be held within six months from the end of the preceding financial year.

The Company shall convene an extraordinary general meeting within two months upon the occurrence of any of the following events:

- (I) the number of Directors is less than the minimum quorum stipulated in the PRC Company Law or less than two-thirds of the number prescribed in the Articles of Association;
- (II) the uncovered loss of the Company reaches one-third of the total paid-in share capital;
- (III) upon request in writing by shareholders individually or jointly holding more than 10% of the Company's shares (the number of shares shall be calculated based on the date of the written request by the shareholder);
- (IV) the Board may deem necessary;
- (V) upon request by the Supervisory Committee;
- (VI) at least one-half of all of the independent non-executive directors agree to propose that such a meeting be held; or
- (VII) other circumstances as specified by laws, the Hong Kong Listing Rules or the Articles of Association.

### **Convening of General Meeting**

The Supervisory Committee shall have the right to propose in writing to the Board to convene an extraordinary general meeting. The Board shall, in accordance with the provisions of laws, administrative regulations and the Articles of Association, give a written response on whether it agrees or disagrees to the convening such meeting within 10 days after receipt of the proposal.

If the Board agrees to convene an extraordinary general meeting, it shall issue a notice on convening such shareholders' general meeting within five days after passing the board resolutions. Changes to the original proposal as stated in the notice shall obtain the consent of the Supervisory Committee.

If the Board does not agree to convene such meeting, or fails to give a response within 10 days after receipt of the proposal, it shall be deemed that the Board cannot perform or has failed to perform the duties to convene the general meeting, and the Supervisory Committee may itself convene and preside over such meeting.

Shareholders who request an extraordinary general meeting or a general meeting of a class of shareholders shall comply with the following procedures:

- (I) two or more shareholders individually or jointly holding more than 10% of the voting shares at the proposed meeting can request the Board to convene a class meeting by signing one or several same written request(s), and stating the subjects to be considered at the meeting. The Board shall convene the extraordinary general meeting or the class meeting as specified in the request as soon as possible. The shareholdings referred to above shall be calculated as at the date of request made.
- (II) If no notice of convening a general meeting was issued within 30 days after the Board receiving the abovementioned written request(s), the shareholders making the request(s) can request the Supervisory Committee to convene an extraordinary general meeting or a class meeting;
- (III) If the Supervisory Committee fails to issue a notice on the convening of meeting within 30 days after receiving the aforesaid written request, the shareholders individually or collectively holding more than 10% of the Company's voting shares at the proposed meeting for at least consecutive 90 days may convene the meeting on their own within four months after the Board receives the request. The convening procedures shall be the same as the procedures for the convening of general meeting by the Board.

The reasonable expenses arising from the convening and holding of meeting by shareholders due to the failure of the Board and the Supervisory Committee in response of the aforesaid request shall be assumed by the Company, and deducted from the amount payable to the directors or supervisors committing dereliction of duty.

### **Proposals at General Meeting**

The Board, Supervisory Committee and shareholders individually or jointly holding more than 3% of shares in the Company are entitled to make proposals at the general meeting.

Shareholders individually or jointly holding at least 3% of the shares of the Company may submit extempore motions in writing to the convener 10 days prior to the date of such meeting. The convener shall issue a supplementary notice of the general meeting and make a public announcement of the contents of such extempore motion within two days after receipt of the motion, and submit such extempore motion to the general meeting for consideration. The contents of such an extempore motion shall fall within the scope of the functions and powers of the general meeting, and contain a clear topic and a specific resolution.

Except as provided in the preceding paragraph, the convener shall not make any changes to the motions set forth in the notice of the general meeting or add any new motions once the notice and announcement of the general meeting have been issued.

Any proposals which are not stated in the notice of shareholders' general meeting or not in compliance with the Articles of Association shall not be voted and passed as resolutions at the shareholders' general meeting.

The Company shall, based on the written replies received 20 days before the general meeting date, calculate the number of voting shares represented by the shareholders who intend to attend the meeting. If the number of voting shares represented by the shareholders who intend to attend the meeting amounts to not less than half of the Company's total voting shares, the Company may hold the general meeting; if not, the Company shall within five days notify the shareholders by way of public announcement of matters to be considered at and the place and date of the meeting.

No extraordinary general meeting shall resolve matters not stipulated in its notice.

### **Resolutions at General Meeting**

Resolutions of a general meeting are classified into ordinary resolutions and special resolutions.

Ordinary resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding more than half of the voting rights.

Special resolutions of a general meeting shall be passed by shareholders in attendance (including proxies) holding more than two-thirds of the voting rights.

The following matters shall be passed as ordinary resolutions in a general meeting:

- (I) work reports of the Board and the Supervisory Committee;
- (II) profit distribution plans and plans for making up losses drafted by the Board;
- (III) the appointment, dismissal and remuneration of the members of the Board and the Supervisory Committee (other than the Staff Representative Directors and Supervisors) and the method of payment of the remuneration;
- (IV) annual financial budgets and final accounts of the Company;
- (V) balance sheets, income statements and other financial statements;
- (VI) annual report of the Company;
- (VII) the appointment or removal of an accounting firm;
- (VIII) matters other than those which laws, administrative regulations, the listing rules of stock exchanges on which the Company's shares are listed or the Articles of Association require to be adopted by special resolution.

The following matters shall be passed as special resolutions in a general meeting:

- (I) the increase or reduction of the registered capital and issuance of any class of shares, warrants or other similar securities by the Company;
- (II) the issuance of corporate bonds;
- (III) the division, merger, dissolution, liquidation or change in the corporate form of the Company;
- (IV) the amendment of the Articles of Association of the Company;
- (V) the purchase or sale by the Company within one year of (a) material asset(s) exceeding 30% of the audited total assets of the Company at latest period;
- (VI) equity incentive plans; and
- (VII) other matters required by laws, administrative regulations, the listing rules of stock exchanges on which the Company's shares are listed or the Articles of Association, or resolved by the shareholders at a shareholders' general meeting, by an ordinary resolution, to be of a nature that may have a material impact on the Company and should be adopted by special resolution.

When a connected transaction is considered at a general meeting, the connected shareholders shall abstain from voting. The voting shares held by connected shareholders shall not be counted in the total number of shares with voting rights. The announcement of resolutions of the general meeting shall fully disclose the voting of the shareholders who are not connected parties.

**Special Procedures for Voting by Class Shareholders**

Holders of different classes of shares are class shareholders. Class shareholders shall enjoy rights and assume obligations in accordance with laws and provisions of the Articles of Association.

In addition to the holders of other classes of shares, holders of domestic shares and holders of foreign shares listed overseas shall be deemed to be different classes of shareholders.

If the Company intends to vary or abrogate rights of class shareholders, it may do so only after such variation or abrogation has been approved by way of a special resolution of the general meeting and by a separate class shareholders' meeting convened by the affected class shareholders as follows.

Neither the approval of the general meeting or a class shareholders' meeting shall be required if a variation or abrogation of the rights of class shareholders arises due to a change in domestic or foreign laws or the listing rules of the place of listing, or due to a decision made in accordance with the law by the domestic or foreign regulator.

The transfer by the Company's holders of all or part of domestic shares of the shares held thereby to foreign investors for listing and trading overseas, or the conversion of all or part of domestic shares into overseas listed foreign shares for listing and trading on overseas stock exchange(s), shall not be deemed as the Company's intention to vary or abrogate the rights of any class of shareholders.

The rights of a certain class of shareholders shall be deemed to have been changed or nullified in the following circumstances:

- (I) to increase or decrease the number of shares of that class, or to increase or decrease the number of shares of other class which enjoy the same or more voting rights, distribution rights or other privileges;
- (II) to convert part or whole of the shares of that class into another class, convert part or whole of the shares of another class into that class, or grant such conversion rights;
- (III) to nullify or reduce the rights of that class of shares to receive payable dividends or cumulative dividends;
- (IV) to reduce or nullify the privileged rights of that class of shares to acquire dividends or to obtain distribution of assets during liquidation of the Company;
- (V) to increase, nullify or reduce the conversion, option, voting, transfer or privileged allotment rights of that class of shares or the rights of such class of shares to obtain securities issued by the Company;
- (VI) to nullify or reduce the rights of that class of shares to receive amounts payable by the Company in a particular currency;
- (VII) to create a new class of shares which enjoys the same or more voting rights, distribution rights or other privileges as compared with that class of shares;
- (VIII) to restrict the transfer and ownership of that class of shares, or increase the restrictions;
- (IX) to grant the share subscription options or share conversion options of or another class of shares;
- (X) to increase the rights or privileges of another class of shares;

- (XI) any restructuring scheme of the Company that may result in the assumption of disproportionate responsibilities by different classes of shareholders during the restructuring;
- (XII) to revise or nullify the provisions in the Article of Association.

Shareholders of the affected class, whether or not otherwise having the right to vote at general meetings, shall nevertheless have the right to vote at shareholders' class meetings in respect of matters referred to in items (II) to (VIII) and (XI) to (XII) above, but interested shareholders shall not be entitled to vote at such shareholders' class meetings.

A resolution of the meeting for a certain class of shareholders shall be adopted by above two-thirds of the voting shares represented by shareholders of that class present at the meeting as above.

The special voting procedures for class shareholders shall not apply to the following circumstances:

- (I) the Company independently, upon the approval by way of special resolution by general meeting, issues domestic shares and/or overseas listed foreign shares every 12 months, provided that the amount of each of the domestic shares and overseas listed foreign shares intended to be issued is not more than 20% of the issued and outstanding shares of the respective class;
- (II) the Company's plan on issuing domestic shares and overseas listed foreign shares at time of its incorporation, which is completed within 15 months upon the date of approval from the securities authority of the State Council.
- (III) Subject to the approval from securities regulatory bodies under the State Council, shareholders of domestic shares of the Company may transfer their shares to foreign investors and have the shares listed and traded on overseas stock exchanges.

## **DIRECTORS AND BOARD**

### **Directors**

The non-staff representative directors shall be elected and replaced at general meeting, while staff representative directors at the general meeting of employees' representatives, staff meeting or otherwise by democratic election. There is no shareholding qualification for Directors nor is there any specified age limit for Directors in the Articles of Association. Directors have a term of office of three years. Upon the maturity of the term of office, a director shall be eligible to offer himself for re-election. Prior to the expiration of the term of office of the director, he/she shall not be removed by the shareholders' general meeting without appropriate reasons.

The chairman and vice chairman of the Board shall be elected and removed by more than one-half of all directors. The term of office of the chairman shall be three years, renewable upon re-election. Directors are not required to hold shares of the Company.

The Company shall establish an independent non-executive director system. The term “independent non-executive director of the Company” means a director who does not hold any position in the Company other than director and who has no relationship with the Company or its major shareholder(s) (only provided under this Article that major shareholder are those shareholders individually or jointly holding more than 5% of total number of the Company’s shares with voting rights) that could hinder his or her making independent and objective judgments, and who is in compliance with independence provisions of the rules of the stock exchange in the place where Company shares are listed. Independent non-executive directors shall account for more than one third of the members the Board of the Company and shall not be less than three, at least one of whom shall be a financial or accounting professional. Independent non-executive directors shall faithfully fulfill their duties and protect the Company’s interests, and in particular prevent the legal interests of public shareholders from being harmed, so as to ensure that the interests of all shareholders are fully represented.

The term of office for independent non-executive directors shall be three years, and renewable upon re-election and re-appointment, but shall not exceed nine years, unless otherwise provided by relevant laws, regulations and the listing rules of the stock exchange where the Company’s shares are listed.

If an independent non-executive director fails to meet the conditions of independence or other circumstance arises which makes it inappropriate for him or her to perform his or her duties and responsibilities as an independent non-executive director, thereby causing the failure of the Company to meet the requirements of the Articles of Association concerning the number of independent non-executive directors, the Company shall make up the number of independent non-executive directors in accordance with regulations.

### **Board**

The Company shall have a board of directors which shall be accountable to the general meetings. The Board shall consist of nine directors, including three independent non-executive directors, one staff representative director. The Board have one chairman and where it’s necessary, shall have vice chairman.

The general manager or other senior officers may concurrently serve as a Director, provided that the aggregate number of the Directors who concurrently serve as general manager or other senior officers shall not exceed half of all the Directors of the Company.

The number of senior management officers of the controlling shareholder also holding the office of the chairman and executive directors of the Company shall not exceed two.

The Board shall be accountable to the general meeting and perform the following duties and powers:

- (I) to convene the general meeting and report its performance at the general meetings;
- (II) to implement resolutions adopted at the general meetings;



- (III) to make decisions on the Company's business plans and investment plans;
- (IV) to formulate the Company's annual financial budgets and annual final accounting plans;
- (V) to formulate the Company's profit distribution plans and loss recovery plans;
- (VI) to formulate the proposals on the increase or reduction of the Company's registered capital, the issuance of shares, bonds or other securities, and listing plans;
- (VII) to formulate plans for major acquisition, repurchase of the shares of the Company or the merger, division, dissolution or change of the nature of incorporation of the Company;
- (VIII) to decide on such matters as the Company's investments in third parties, purchase and sale of assets, asset mortgages, entrustment of financial services, bank credit and connected transactions, etc., to the extent authorized by the general meeting;
- (IX) to decide on the provision of security for third parties;
- (X) to determine on the establishment of the Company's internal management bodies and on the establishment or closing of the Company's branches or representative offices;
- (XI) to engage or dismiss the Company's General Manager and Secretary to the Board; to engage or dismiss such senior management members as Deputy General Manager, financial controller and etc., as proposed by the General Manager, and deciding on matters relating to their remuneration, rewards and punishments;
- (XII) to formulate the basic management system of the Company;
- (XIII) to formulate proposals for amendments to the Articles of Association;
- (XIV) to manage the information disclosure of the Company;
- (XV) to propose to the general meeting the appointment or replacement of an accounting firm that provides audit service of annual financial statement to the Company;
- (XVI) to listen to the work reports of the Company's General Manager and inspect his or her work;
- (XVII) to decide the establishment of special committees and their compositions;

(XVIII) to consider matters of buying the Company's shares under circumstances set forth in the Articles of Association (to grant the shares for employee shareholding scheme or as share incentives; use of the shares for the purpose of conversion of the Company's bonds convertible to shares; and where it is necessary to safeguard company's value and shareholders' interests); and

(XIX) to exercise other functions and powers conferred by the laws, regulations and the listing rules of the stock exchange on which the shares of the Company are listed, at general meetings and the Articles of Association.

Resolutions relating to the above, with the exception of items (VI), (VII), (XIII) and (XVIII) above which shall be approved by more than two thirds of the directors, shall be approved by more than half of the directors. Where the Board considers guarantee-related matters within the scope of its authority, the resolutions shall be subject to the approval of more than two thirds of directors attending the Board meeting and that of half of all directors.

Resolutions made by the Board with respect to connected transactions shall not come into force unless they are signed by independent non-executive directors.

The reasonable expenses incurred in engaging a professional, such as a lawyer, certified public accountant, professional auditor, etc., by the Board in exercising its functions and powers shall be borne by the Company.

The Board shall also be responsible for the followings:

- (I) to formulate, review and improve the corporate governance system and condition of the Company;
- (II) to review and supervise the training and continuing professional development of directors and senior management;
- (III) to review and supervise the compliance of the Company's policies with laws and relevant regulations of the securities regulatory authority where the shares are listed and to make the relevant disclosure;
- (IV) to formulate, review and supervise the code of conduct and relevant compliance manual of employees and directors;
- (V) The Board shall decide the authority of foreign investment, acquisition and disposal of assets, asset mortgages, the provision of security for third parties, entrustment of financial services and connected transactions, and set up strict review and decision-making procedures; for important investment projects, the Board shall organize the relevant experts and professionals for review and report at general meeting for approval.

The Board shall be responsible for the aforementioned corporate governance functions. It may also delegate the duties to one or more of its special committees.

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**APPENDIX V                      SUMMARY OF THE ARTICLES OF ASSOCIATION**

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The chairman of the Board shall perform the following duties and powers:

- (I) to preside over the general meetings, and to convene and preside over Board meetings;
- (II) to supervise and inspect the execution of the resolutions of the Board;
- (III) to sign the securities issued by the Company;
- (IV) to sign the important documents of the Board and other documents required to be signed by the legal representative of the Company and to exercise the powers of legal representative;
- (V) when the chairman of the Board is unable to convene a Board of Directors meeting in time in case of force majeure or emergency, he/she shall exercise special right of disposal of the Company's affairs that conform to laws as well as the Company's interests and report to the Board afterwards;
- (VI) to define the systems necessary for the operation of the Board, and coordinate its operation;
- (VII) to hear regular and non-regular performance reports from the Company's senior officers, and to provide the Board with steering comments on the implementation of board resolutions;
- (VIII) to nominate candidates for the general manager of the Company and the secretary of the Board; and
- (IX) to exercise other powers required by the laws, regulations or the Articles of Association or authorized by the Board.

The Board may authorize the chairman to exercise part of the powers of the Board during the closing of meeting when necessary.

The vice chairman shall assist the chairman. And in case the chairman is unable or rejects to fulfill his or her duties, the vice chairman shall take the place (provided that there are two or more vice chairman, the vice chairman elected by all vice chairmen); if the vice chairman is unable or rejects to fulfill his or her duties, the director elected by more than half of the directors shall take the place.

Meetings of the Board are divided into regular meetings and interim meetings. The Board shall hold at least four regular meetings each year. Meetings shall be convened by the Chairman of the Board.

An extraordinary board meeting may be convened upon the proposal of chairman of the Board, shareholders holding more than one tenth of the total number of shares carrying voting rights of the Company, more than one third of the Board or the Supervisory Committee, more than a half of the independent non-executive directors or general managers. Chairman of the Board shall convene and chair the board meeting within five days after receiving such proposal or requirement of security regulator.

The notice of board meeting and extraordinary board meeting shall be served in writing to all Directors, Supervisors, the General Manager and the Secretary to the Board by hand, facsimile, express delivery service or other electronic means (in case of indirect delivery, telephone acknowledgement shall be made and properly recorded) 14 days (for regular meetings) or five days (for extraordinary meetings) before the date of the meeting.

If an extraordinary meeting of the Board needs to be held quickly due to urgent circumstances, a meeting notice may be given at any time by telephone or other oral method, provided that the convener gives an explanation thereof at the meeting and the same is entered into the meeting minutes.

Meetings of the Board may be held only if more than half of the directors are present.

Supervisors may attend meetings of the Board in a non-voting capacity. The General Manager and the Board, if they do not concurrently serve as directors, shall attend meetings of the Board in a non-voting capacity. When he or she deems it necessary, the meeting convener may notify other relevant persons to attend a meeting of the Board in a non-voting capacity.

Directors shall attend meetings of the Board in person. In the event of a director is unable to attend a meeting in person for any reason, he may appoint in writing another director to attend the meeting on his behalf. The power of attorney shall contain the name of proxy, subject matters of representation, the scope of the authorization and validity, and signed by the appointer. The proxy shall exercise the rights of a director within the scope of the authorization. A director failing to attend the board meeting in person or by proxy shall be deemed as having waived his voting rights at such meeting.

For a motion deliberated on at a meeting of the Board to be carried and constitute the corresponding resolution, more than half of all of the Company's directors must cast an affirmative vote therefore. When the numbers of votes for and against are equal, the chairman of the meeting is entitled to cast an additional vote. If laws or the Articles of Association require the consent of a larger number of directors for the adoption of a resolution, such provisions shall prevail.

In the event of a conflict between the content and import of different resolutions, the resolution adopted the later in time shall prevail.

If a director has a connected relationship with an enterprise involved in a matter on which a resolution is to be made at a meeting of the Board, he or she shall not exercise his right to vote regarding such resolution, nor shall he or she the voting right of another director as such

director's proxy thereon. Such a Board meeting may be held only if more than half of the directors without a connected relationship are present, and the resolutions made at such a Board meeting shall require adoption by more than half of the directors without a connected relationship. If the Board meeting is attended by less than three directors without a connected relationship, the matter shall be submitted to the general meeting for consideration. Save as set out in the listing rules of the stock exchange on which the Company's securities are listed or approved by the Hong Kong Stock Exchange, the Directors shall not vote or be counted in quorum on any board resolution in respect of any contract, transaction, arrangement or any other proposal in which he or his close associate (as defined under the Listing Rules) has a material interest, nor shall he be counted.

The definition and scope of associated directors shall be determined in accordance with the requirements of the securities regulator and the stock exchanges where the shares of the Company are listed.

Minutes shall be taken for decisions made on matters discussed at the meeting and directors attending the meeting and the person taking the minutes shall sign on the minutes. Directors shall be accountable for the board resolutions. If a board resolution violates the laws, administrative regulations or the Articles of Association thus causing significant losses to the Company, the directors participating in the resolutions shall be liable to compensate the Company for the losses. However, if it is verified that a director had stated his/her objection when voting and the same was recorded in the minutes, such director may be exempted from such liability. Minutes of Board meetings shall be kept and filed by the Company for at least 10 years.

#### **Secretary to the Board**

Where necessary, the Company shall have one or two Secretary(ies) to the Board, who shall be engaged and dismissed by the Board. The Secretary to the Board shall be a member of the senior management members of the Company and be accountable to the Company and the Board.

The Secretary to the Board shall be a natural person with the necessary professional knowledge and experience. He or she shall be appointed by the Board. His or her main duties shall be as set forth below:

- (I) to prepare and deliver reports and documents issued by the Board and general meetings as required by competent authorities;
- (II) to prepare and deliver reports and documents of the Board and general meetings;
- (III) to prepare the Board and general meetings according to legal procedures, attend the Board meeting and take minutes, and sign on the minutes of meeting to ensure its accuracy;
- (IV) to be responsible for the confidentiality of information and draw up security measures. Take timely remedial measures to explain and clarify it upon divulging of insider information;
- (V) to be responsible for coordination and organization of company information disclosure matters, establish and improve the information disclosure system, to participate in all relevant disclosure of information meeting, aware of the company's major business decisions and relevant information in a timely manner;

- (VI) to be responsible for keeping the register of the shareholders, the register of directors, the materials on the holding of shares by leading shareholders and directors, and the seals of the Board, and keeping documents and minutes of the Board of the Company and general meetings;
  
- (VII) to help directors, supervisors, senior management officers of the Company to understand their responsibilities conferred by laws, regulations, the Articles of Association and regulations;
  
- (VIII) assist the Board in exercising its powers legally, and where the resolution of the Board violates the laws and regulations, this AOA and relevant stipulations, raise a timely objection, and if the Board insists on making such resolution, take minutes about such situation and submit it immediately to all the directors and supervisors of the Company;
  
- (IX) to provide advices and suggestion for making significant decisions;
  
- (X) to perform other duties as stipulated in laws, regulations and the Articles of Association, and as required by security regulator of locality on which the Company's shares are listed.

A director or senior management of the Company other than the General Manager and chief financial officer may also act as the secretary to the Board of the Company. Any accountant from accountancy firm or lawyer from law firm which has been appointed by the Company shall not act as the secretary to the Board.

Where the office of secretary is held concurrently by a director, and an act is required to be done by a director and a secretary separately, the person who holds the office of director and secretary shall not perform the act in a dual capacity.

**General Manager and Other Senior Management Members**

The Company shall have a General Manager, several Deputy General Managers (including executive deputy general manager), a Chief Financial officer, Chief Economist and Chief Engineer, and Secretary to the Board.

All senior management officers above, other than general manager, are called other senior management officers, which are nominated by general manager. General manager and other senior management officers are appointed or dismissed by the Board and shall be accountable to the Board and general manager. A director may concurrently serve as General Manager or Deputy General Manager.

The General Manager and other senior management members shall serve terms of three years and may serve consecutive terms if reappointed.

The General Manager shall be accountable to the Board and exercise the following functions and powers:

- (I) to be in charge of the production, operation and management of the Company, to organize the implementation of the resolutions of the Board, and to report on his or her work to the Board;
- (II) to arrange for the implementation of the resolutions of the Board and the Company's annual business plans and investment plans;
- (III) to draft the plan for establishment of the Company's internal management organization;
- (IV) to draft the Company's basic management system;
- (V) to formulate the basic rules and regulations of the Company;
- (VI) to request the Board to engage or dismiss other senior management members;
- (VII) to appoint or dismiss management personnel and general staff other than those to be engaged or dismissed by the Board;
- (VIII) to propose the holding of interim meetings of the Board;
- (IX) to decide on other matters of the Company within the scope authorized by the Board;
- (X) to decide on investment, acquisition or sale, financing or other projects other than those subject to the decision of the Board and general meeting; and
- (XI) other functions and powers granted by the Articles of Association or the Board.

Other senior management officers excepting for general manager shall assist the general manager and can exercise part of his or her functions and powers according to his or her delegation.

The General Manager shall attend meetings of the Board in a nonvoting capacity. If the General Manager is not also a director, he shall not have the right to vote at Board meetings.

**SUPERVISORS AND SUPERVISORY COMMITTEE****Supervisors**

The Directors, general manager and other senior management shall not be supervisors concurrently.

Supervisors shall serve terms of three years. Upon expiration of their term, supervisors may serve consecutive terms if re-elected.

**Supervisory Committee**

The Company shall have a Supervisory Committee, which shall consist of five supervisors. The Supervisory Committee shall have one chairman, whose appointment and dismissal shall be subject to the affirmative vote of more than two-thirds of the members of the Supervisory Committee.

The Supervisory Committee shall comprise the shareholder representative and an appropriate ratio of the staff representative of the Company, including three shareholder representatives and two staff representatives. The supervisor served by people other than staff representative shall be elected and removed at the general meeting, while staff representative supervisor at the general meeting of employees' representatives, staff meeting or otherwise by democratic election. The number of staff representative supervisor of the Company shall be not less than one third of the Supervisory Committee total.

The Supervisory Committee shall be accountable to the general meeting and exercise the following functions and powers in accordance with the law:

- (I) to review the regular reports of the Company prepared by the Board and to submit written review opinions thereon;
- (II) to check Company finance; to verify financial information such as financial reports, business reports, profit distribution plans, etc. that the Board intends to submit to the Shareholders' General Meeting and, if in doubt, to be able to appoint, in the name of the Company, a registered accountant or practicing auditor to assist in reviewing such information;
- (III) to supervise the directors, the General Manager and other senior management members in the performance of their Company duties and to propose the removal of directors or senior management members who violate laws or breach the Articles of Association or resolutions of the general meeting;
- (IV) if an act of a director, the General Manager or other senior management officers is detrimental to the Company's interests, to require him or her to correct such act;
- (V) to propose the holding of extraordinary general meetings and, in the event that the Board fails to perform its duty of convening and presiding over a general meeting, to convene and preside over such a meeting in accordance with the law;



- (VI) to submit motions to the general meeting;
- (VII) to propose the holding of interim meetings of the Board;
- (VIII) to sue directors or senior management members in accordance with relevant laws;
- (IX) to conduct an investigation and, if necessary, engage professional organizations, such as accounting firms and law firms, to assist it in its work in the event that it discovers any irregularities in the Company's operations; and
- (X) Other functions and powers as stipulated in laws and regulations and the Articles of Associations.

The reasonable expenses incurred in engaging a professional, such as a lawyer, certified public accountant, professional auditor, etc., by the Supervisory Committee in exercising its functions and powers shall be borne by the Company.

Regular meetings of the Supervisory Committee shall be held at least once every six months, and shall be convened by the chairman of the Supervisory Committee. If the chairman of the Supervisory Committee fails to or is unable to perform and exercise his functions and powers, a meeting of the Supervisory Committee shall be convened and presided over by a supervisor jointly nominated by more than half of all supervisors.

Supervisors may propose the calling of interim meetings of the Supervisory Committee.

In convening the regular or extraordinary meetings of Board of Supervisors, the staff member of the Supervisory Committee shall give a written notice of the meeting a reasonable period before the meeting date. The notice of meeting shall be given to all supervisors by hand, facsimile, email or other means. If a notice is not given by hand, a subsequent telephone call shall be made for confirmation and corresponding records shall be made.

In case of urgency and an extraordinary meeting of the Supervisory Committee is required to be convened as soon as possible, the notice of such meeting shall be given by telephone communication or other verbal means at any time provided that the convener of the meeting gives relevant explanation at the meeting.

Supervisors may attend meetings of the Board in a non-voting capacity and raise questions and make suggestions in respect of matters that are the subject of resolutions of the Board.

**Resolutions of Supervisory Committee**

Votes at meetings of the Supervisory Committee shall be held by disclosed ballot and each supervisor shall have one vote.

Votes at meetings of the Supervisory Committee held in person (including meetings held by videoconference) may be conducted by a show of hands or disclosed ballot. If a supervisor attends a meeting held in person by telephone conference or by way of other such communication equipment, so long as the supervisors attending the meeting in person can clearly hear what he or she says and communicate with him or her, all the supervisors in attendance shall be deemed to have attended the meeting in person. Subject to ensuring the full expression by the supervisors of their opinions at a meeting of the Supervisory Committee, votes may be held and resolutions adopted by means of communication, and such resolutions shall be signed by the supervisors in attendance. A deadline shall be set for votes held by means of communication, and if a supervisor fails to express his or her opinion by the specified deadline, he or she shall be deemed to abstain.

The voting options open to supervisors are consent, opposition or abstention. The supervisors present at a meeting shall select one from among the foregoing options. If a supervisor fails to select any of the options or selects two or more of the options, the chairman of the meeting shall require him or her to select again. If he or she refuses to make a selection, he or she shall be deemed to abstain.

Resolutions of the Supervisory Committee shall require the affirmative vote of more than half of the members of the Supervisory Committee for adoption.

**Qualifications and Duties of the Directors, Supervisors and other Senior Management of the Company**

In the conditions as set out below, the following persons shall not serve as Directors, Supervisors, general manager or other senior management of the Company:

- (I) persons without civil capacity or with limited civil capacity;
- (II) persons who have committed corruption, bribery, embezzlement, misappropriation of property or disruption of the order of socialist market economy and have been sentenced to criminal punishment, where less than five years have elapsed since the date of completion of the sentence, or who have been deprived of their political rights due to the commission of a criminal offense, where less than five years have elapsed since the date of restoring their political rights;
- (III) persons who were former directors, factory managers or managers of a company or enterprise which was declared bankrupt and was liquidated and who were personally liable for the bankruptcy of such company or enterprise, where less than three years have elapsed since the date of completion of the bankruptcy and liquidation of the company or enterprise;

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- (IV) persons who were legal representatives of a company or enterprise which had its business license revoked and had been ordered to shut down due to violation of the laws and who were personally liable, where less than three years have elapsed since the date of the revocation;
- (V) persons who have a substantial amount of debts due and outstanding;
- (VI) persons who were investigated by judicial offices and the lawsuit is not settled yet;
- (VII) persons who cannot serve as corporate leaders according to laws;
- (VIII) non-natural person;
- (IX) persons who have been convicted by the competent authority for violation of securities regulations and acting fraudulently or dishonestly, where less than five years have elapsed since the date of conviction;
- (X) the person is currently being prohibited from participating in securities market by the China Securities Regulatory Commission and such barring period has not elapsed; or
- (XI) circumstances as required by the relevant laws and regulations of a place where the Company's securities are listed.

If a director, supervisor, the General Manager or other senior management members is elected or appointed in violation of the above, such election, appointment or engagement shall be invalid.

Besides the obligations as stipulated in the laws, administrative regulations or the listing rules of the stock exchanges where the stocks of the Company are listed, the Directors, Supervisors, general manager and other senior management of the Company shall perform the following obligations on each shareholder when exercising the powers conferred on them by the Company:

- (I) not to allow the Company to operate beyond the scope stated in the business license;
- (II) to act, *bona fide*, in the best interests of the Company;
- (III) not to deprive in any way the properties of the Company, including but not limited to opportunities advantageous to the Company;
- (IV) not to deprive the personal interests of shareholders, including but not limited to the right to distributions and the right to vote; however, company restructuring proposed to the general meeting for approval in accordance with the Articles of Association is excluded.

The directors, supervisors, general manager and other senior management of the Company shall perform their duties in accordance with the principle of honesty and shall not put themselves in a position where their duties and their interests may conflict. These principles include but not limited to the following:

- (I) to act, *bona fide*, in the best interests of the Company;
- (II) to exercise powers within the scope of their powers;
- (III) to exercise their discretion vested in them and not to allow themselves to act under the control of another and, unless and to the extent permitted by the laws or with the informed consent of shareholders' general meeting, not to delegate others to exercise their discretion;
- (IV) to treat shareholders of the same class equally and to treat shareholders of different classes fairly;
- (V) not to enter into any contract, transaction or arrangement with the Company unless otherwise provided by the Articles of Association or with the informed consent of shareholders' general meeting;
- (VI) not to use the Company's property for their own benefit without the informed consent of shareholders' general meeting;
- (VII) not to exploit their positions to accept bribes or other illegal income or expropriate the property of the Company by any means, including but not limited to opportunities advantageous to the Company;
- (VIII) not to accept commissions in connection with the transactions of the Company without the informed consent of shareholders' general meeting;
- (IX) to abide by the Articles of Association, perform their official duties faithfully and protect the interests of the Company, and not to exploit their positions and powers in the Company for their own interests;
- (X) not to use the advantages of his or her office to appropriate for himself/herself or for others, business opportunities which rightly belong to the Company, operate a business for his own account or on behalf of others which is of the same type as the Company's business or compete with the Company in any way without the informed consent of the general meeting;
- (XI) not to misappropriate the Company's funds, not to open accounts in their own names or other names for the deposit of the assets or funds of the Company; not to violate the provisions of the Articles of Association by lending the Company's funds to others or providing guarantees to the Company's shareholders' or other individual(s)' debts with the assets of the Company, without consent by a general meeting or of the Board;

(XII) unless otherwise permitted by shareholders' general meeting, to keep confidential the information acquired by them in the course of and during their tenure and not to use the information other than in furtherance of the interests of the Company, save that disclosure of such information to the court or other government authorities is permitted if the disclosure is:

1. by order of the laws;
2. in the interests of the public;
3. in the interest of the relevant Director, Supervisor, general manager or other senior management.

Proceeds from violating the above of Directors, Supervisors, general manager or other senior management of the Company shall belong to the Company; losses caused to the Company by such persons shall be indemnified by the same.

Directors, Supervisors, general manager or other senior management of the Company shall not direct the following persons or bodies ("Relevant Person") to do anything to which the Directors, Supervisors, general manager or other senior management are not permitted:

- (I) the spouse or a minor child of such director, supervisor, General Manager or other senior management members of the Company;
- (II) a trustee of such director, supervisor, General Manager or other senior management members of the Company or of any person referred to in item (I) above;
- (III) a partner of such director, supervisor, General Manager or other senior management members of the Company or of any person referred to in items (I) and (II) above;
- (IV) a company over which such director, supervisor, General Manager or other senior management members of the Company, alone or jointly with any person referred to in items (I), (II) and (III) above or any other director, supervisor, General Manager or other senior management members of the Company, has de facto control;
- (V) a director, a supervisor, the General Manager or other senior management members of a company being controlled as referred to in item (IV) above.

## **FINANCIAL AND ACCOUNTING SYSTEM AND PROFIT DISTRIBUTION**

### **Financial and Accounting Systems**

The Company shall establish its financial and accounting systems in accordance with the laws, administrative regulations and the requirements of the national relevant authorities.

In addition to the PRC accounting standards and regulations, the financial statements of the Company shall also be prepared in accordance with the international accounting standards or the accounting standards of the place outside the PRC where the shares of the Company are listed. Any material discrepancy between the financial statements prepared in accordance with two different accounting standards shall be explained in the notes to the financial statements. Distribution of profits after tax of the relevant financial year shall be based on the lower of the profits after tax shown in the two financial statements mentioned above.

Interim results or financial information published or disclosed by the Company shall be prepared in accordance with the PRC accounting standards and regulations as well as international accounting standards or the accounting standards of the place outside the PRC where shares of the Company are listed.

The Company shall publish two financial reports each accounting year, i.e. an interim financial report to be published within 60 days after the end of the first six months of the accounting year and the annual financial report to be published within 120 days after the end of the accounting year.

The Company shall not keep accounts other than those required by laws. The assets of the Company shall not be kept under the name of any individual.

#### **Profit Distribution**

During the distribution of its after-tax profit for the current year, the Company shall withdraw 10% after-tax profit as statutory common reserve fund.

The Company may not withdraw statutory common reserve fund if the cumulative amount has exceeded 50% of the Company's registered capital.

Where the statutory common reserve fund of the Company is not sufficient to recover its losses in the previous years, the profits of the current year shall be used to make up the loss before the withdrawing of the statutory common reserve fund in accordance with the above provisions.

After the withdrawing the statutory common reserve fund from the after-tax profit by the Company, the discretionary reserve may be withdrawn from the after-tax profit with the approval from the general meeting.

After the Company has made up its losses and made allocations to its common reserves, the remaining profits of the Company shall be distributed in proportion to the shareholdings of its shareholders, unless the Articles of Association provide that distributions are to be made otherwise than proportionally.

If the general meeting distributes profits to shareholders before the Company recovers losses and withdraws statutory common reserve fund, in violation of relevant provisions, shareholders must return to our Company the profits so distributed.

The shares of our Company held by our Company shall not be subject to profit distribution.

The Company's common reserves shall be used to make up the Company's losses, to expand the Company's production and operations or, through conversion into capital, to increase the Company's capital. However, the capital common reserve will not be used to make up the Company's losses.

When funds in the statutory common reserve are converted into capital, the funds remaining in such reserve will not be less than 25% of the Company's registered capital before the conversion.

The Company may distribute dividends in the following manners (or both of them):

- (I) cash;
- (II) shares.

The Company shall appoint receiving agents for holders of overseas listed foreign shares to collect on behalf of the relevant shareholders the dividends distributed and other moneys payable in respect of overseas listed foreign shares, and hold the same until they can be paid to the relevant shareholders.

The receiving agents appointed by the Company shall meet the requirements of the laws of the place, or the relevant regulations of the stock exchange, where shares are listed.

The receiving agents appointed by the Company for the holders of overseas listed foreign shares listed on the Hong Kong Stock Exchange shall be trust companies registered under the Trustee Ordinance of Hong Kong.

The Company shall have the right to sell the shares of the Shareholders of H Shares through the methods the Board deems appropriate and subject to the following conditions:

- (1) the Company has distributed dividends on such shares at least three (3) times in a period of twelve (12) years and the dividends are not claimed by anyone during that period;
- (2) after the expiration of the twelve-year period, the Company makes a public announcement in newspapers at the place where the Company's securities are listed, stating its intention to sell such shares and notifies the Hong Kong Stock Exchange of such intention.

#### **ACCOUNTING FIRMS**

The Company shall engage an independent accounting firm that complies with relevant provisions of PRC laws to audit the annual financial reports and review other financial reports of the Company.

The first accounting firm of the Company may be engaged by the inaugural general meeting prior to the first annual general meeting. Such accounting firm shall hold office until the conclusion of the first annual general meeting.

If the inaugural general meeting does not exercise its power under the preceding paragraph, the Board shall exercise such power.

The term of engagement of an accounting firm engaged by the Company shall commence upon the adjournment of the annual general meeting of the Company and end upon the adjournment of the next annual general meeting.

An accounting firm engaged by the Company shall have the following rights:

- (I) the right of accessing to the account books, records or vouchers of the Company and the right to require directors, the General Manager and other senior management members of the Company to provide relevant information and explanations;
- (II) the right to require the Company to take reasonable measures to obtain from its subsidiaries the information and explanations necessary for the accounting firm to perform its duties; and
- (III) the right to attend shareholders' meetings in a non-voting capacity, to receive notice of or other information concerning any meetings of or concerning which shareholders have a right to receive notice or other information, and to be heard at any shareholders' meetings on any matter which relates to it as the accounting firm of the Company.

The Company must provide true and complete accounting vouchers, books and accounts, financial and accounting reports and other accounting data to the certified public accountants' firm engaged without any refusal, withholding and misrepresentation.

Notwithstanding the terms set out in the contract between the Company and the accounting firm, Shareholders at a shareholders' general meeting may, by way of ordinary resolution, remove the accounting firm before the expiration of its term of office, but without prejudice to the right of the firm to claim for damages in respect of such removal.

The remuneration of the accounting firm or the way in which the firm is to be remunerated shall be determined by the shareholders' general meeting. The remuneration of the accounting firm appointed by the Board shall be determined by the Board.

Prior notice shall be given to the accounting firm if the shareholders' general meeting decides to remove or not to renew the appointment. The accounting firm shall be entitled to make representations at the relevant shareholders' general meeting. If an accounting firm resigns from its position, it shall make representations to the shareholders' general meeting whether there has been any impropriety on the part of the Company.



- (I) An accounting firm may resign its office by depositing a written resignation notice at the legal address of the Company. Resignation of the accounting firm shall become effective on the date of such deposit or on such later date stipulated in such notice. Such notice shall contain the following statements:

a statement to the effect that there are no circumstances in connection with its resignation which it considers should be brought to the notice of the shareholders or creditors of the Company; or a statement of any other circumstances requiring an explanation.

- (II) Where a notice is deposited under the paragraph (I) above, the Company shall within 14 days send a copy of the notice to the competent authority. If the notice contains a representation referred to in paragraph (I)(ii) above, a copy of such representation shall be placed at the Company for shareholders' inspection. The Company shall also send a copy of such representation to every shareholders entitled to the Company's report of financial position by prepaid post, and it shall be sent to the addresses recorded in the register of shareholders.
- (III) Where the notice of resignation of an accounting firm contains a statement of paragraph (I) (ii) above of any matters of which an account should be given, the accounting firm may require the Board to convene an extraordinary general meeting for the purpose of giving an explanation of the circumstances connected with its resignation.

### **Merger, Division, Dissolution and Liquidation of the Company**

The merger or division of the Company shall require the preparation of a proposal by the Board. After such proposal has been adopted in accordance with the procedures specified in the Articles of Association, relevant approval procedures shall be carried out in accordance with the law. Shareholders that oppose the proposal for the merger or division of the Company shall have the right to require the Company or shareholders that are in favor of such proposal to purchase their shares at a fair price. The contents of resolutions approving the merger or division of the Company shall be compiled in a special document for inspection by shareholders.

The Company shall be dissolved in accordance with the law if:

- (I) the general meeting resolves to dissolve the Company;
- (II) merger or division of the Company entails dissolution;
- (III) the Company is legally declared insolvent due to its failure to repay due debts;
- (IV) the business license is revoked or it is ordered to close down or be dissolved in accordance with the law;

- (V) when serious difficulties occur to our Company's operation and management and significant losses will be incurred to the shareholders by its continuance, and such difficulties cannot be solved by other means, the shareholders holding more than 10% of the total voting rights of all the shareholders may request the people's court to dissolve our Company;
- (VI) the term of operation for the Company as specified in this AOA expires;
- (VII) other circumstances in which the Company is required to dissolve according to laws and regulations.

If the Company is dissolved pursuant to item (I), (IV), (V) or (VI) above, it shall establish a liquidation committee and liquidation shall commence within 15 days from the date on which the cause for dissolution arose. The liquidation committee shall be composed of directors or persons determined by the general meeting. If the Company fails to establish the liquidation committee and carry out the liquidation within the time limit, its creditors may petition a People's Court to designate relevant persons to form a liquidation committee and carry out the liquidation.

If the Company is to be dissolved pursuant to item (III) above, the People's Court shall, in accordance with relevant laws, arrange for the shareholders, relevant authorities and relevant professionals to establish a liquidation committee to carry out liquidation.

If the Board decides to perform the liquidation, other than a liquidation due to the Company's declaration of bankruptcy, it shall state in the notice for convening the general meeting in this regard that a thorough inspection in respect of the Company's status has been made and that all the Company's debts can be settled by it within 12 months upon commencement of the liquidation.

The functions and powers of the Board shall terminate immediately upon the adoption by the general meeting of a resolution to carry out liquidation.

In compliance with the instructions of the general meeting, the liquidation committee shall report to the general meeting at least once annually the income and expenses of the committee, the business operations of the Company and the progress of the liquidation, and to make a final report to the general meeting when the liquidation is completed.

The liquidation committee shall perform the following duties during the liquidation:

- (I) to examine and take possession of the Company's assets and prepare a balance sheet and an inventory of assets;
- (II) to inform creditors by notice or announcement;
- (III) to deal with the outstanding affairs of the Company relating to liquidation;

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(IV) to settle outstanding taxes as well as taxes arising in the course of liquidation;

(V) to settle claims and debt;

(VI) to dispose of the remaining assets of the Company after the settlement of debts;

(VII) to represent our Company in civil proceedings.

The liquidation committee shall notify all creditors within 10 days after its establishment and shall make a public announcement in a newspaper within 60 days. Claims shall be registered by the liquidation committee.

The creditors shall declare their rights to the liquidation committee within 30 days after receipt of the notice or within 45 days after announcement if the creditors have not received the notice.

The creditors shall explain matters relating to their rights and provide relevant supporting documents. The liquidation committee shall register the creditor's rights.

In the creditor's rights declaration period, the liquidation committee shall not make repayment to the creditors.

After the Company has examined and taken possession of its assets and prepared a balance sheet and an inventory of assets, the liquidation committee shall formulate a liquidation plan for approval of the shareholders' general meetings or relevant competent authorities.

The Company shall, in proportion to the shares held by the shareholders, distribute the properties of the Company remaining after successive payment of the liquidation expenses, employees' wages, social insurance expenses and statutory compensations, outstanding taxes, and the Company's debts.

During liquidation, the Company shall continue to exist but shall not engage in any business activities unrelated to the liquidation. The Company's property will not be distributed to the shareholders until it has been applied to the making of the payments mentioned in the preceding paragraph.

If the liquidation committee, having inventoried the Company's property and prepared a balance sheet and property list, discovers that the Company's property is insufficient to pay its debts in full, it shall apply to the Peoples Court for a declaration of bankruptcy.

After the People's Court has ruled to declare the Company bankrupt, the liquidation committee shall turn over the liquidation matters to the People's Court.

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Following completion of the liquidation of the Company, the liquidation committee shall prepare a liquidation report, as well as a revenue and expenditure statement and financial account books in respect of the liquidation period, and, after verification thereof by a PRC certified public accountant, submit the same to the general meeting or the People's Court for confirmation. Within 30 days from the date of confirmation of the aforementioned documents by the general meeting or the People's Court, the liquidation committee shall submit the same to the company registrar, apply for cancelation of the Company's registration and publicly announce the Company's termination.

**AMENDMENTS TO THE ARTICLES**

The Company may amend the Articles of Association in accordance with laws and the Articles of Association. The Company shall amend the Articles of Association if:

- (I) provisions of the Articles of Association conflict with the PRC Company Law or related laws after such laws are amended;
- (II) a change occurs in the Company's situation and such change is inconsistent with the matters stated herein; or
- (III) the general meeting decides to amend the Articles of Association.

Any amendment to the Articles of Association involving matters provided for in the Mandatory Provisions shall become effective upon approval by the examination and approval authorities for companies authorized by the State Council. If there is any change relating to the registered particulars of the Company, application shall be made for change in registration in accordance with the law.

**SETTLEMENT OF DISPUTES**

Unless otherwise provided in the Articles of Association, the Company shall comply with the following rules for dispute resolution:

- (I) All disputes and claims arose between the Company and Directors, Supervisors, general managers or other senior management of the Company, between holders of overseas-listed foreign shares and the Company, between holders of overseas-listed foreign shares and the Company's Directors, Supervisors, general manager or other senior management, or between holders of overseas-listed foreign shares and holders of domestic shares arising from any rights or obligations conferred or imposed by the Articles of Association, the Companies Law and other relevant laws concerning the affairs of the Company shall be referred by the relevant parties to arbitration.

Where a dispute or claim of rights referred to in the preceding paragraph is referred to arbitration, the claim or dispute must be referred to arbitration as a whole, and all persons who have a cause of action based on the same facts giving rise to the dispute

or claim or whose participation is necessary for the resolution of such dispute or claim, shall, where such person is our Company or our Company's shareholders, Directors, Supervisors, general manager or other senior management, comply with the decisions made in the arbitration.

Disputes in relation to the definition of shareholders and register of shareholders need not be resolved by arbitration.

- (II) A claimant may elect for arbitration to be carried out at either the China International Economic and Trade Arbitration Commission in accordance with its Arbitration Rules or the Hong Kong International Arbitration Center in accordance with its Securities Arbitration Rules. Once a claimant refers a dispute or claim to arbitration, the other party must submit to the arbitral institution elected by the claimant.

If a claimant elects for arbitration to be carried out at the Hong Kong International Arbitration Centre, any party to the dispute or claim may apply for a hearing to take place in Shenzhen in accordance with the Securities Arbitration Rules of the Hong Kong International Arbitration Centre.

- (III) If any disputes or claims of rights as set out in (I) are referred to arbitration, the laws of the PRC shall apply, unless otherwise provided in the laws and administrative regulations.
- (IV) The arbitration award of an arbitral institution shall be final and conclusive and binding on parties thereto.

**1. FURTHER INFORMATION ABOUT OUR COMPANY****A. Incorporation**

Our Company was incorporated in the PRC under the PRC Company Law as a limited liability company on June 19, 2007 and then converted into a joint stock limited company in the PRC by way of promotion on December 22, 2017. Our registered office is at YCIH Zhaotong Development Building, Zhaotong Avenue, Zhaoyang District, Zhaotong, Yunnan, the PRC. Our Company has established a place of business in Hong Kong at 31/F., Tower Two, Times Square, 1 Matheson Street, Causeway Bay, Hong Kong, and has been registered as a non-Hong Kong Company in Hong Kong under Part 16 of the Companies Ordinance on April 4, 2019. Wong Sau Ping has been appointed as the authorized representative of our Company for the acceptance of service of process in Hong Kong. The address for service of process on our Company in Hong Kong is the same as its principal place of business in Hong Kong set out above.

As we are incorporated in the PRC, our operation, corporate structure and Articles of Association are subject to the relevant PRC laws and regulations. A summary of the relevant provisions of our Articles of Association is set out in Appendix V to this prospectus. A summary of certain relevant aspects of the PRC laws and regulations is set out in Appendix IV to this prospectus.

**B. Changes in capital**

Our predecessor was established as a limited liability company in the PRC with a registered capital of RMB10,000,000, which has been fully paid up. The following sets out the changes of our share capital since the date of our incorporation:

- (a) In December 2009, our registered capital increased by RMB56,000,000 to RMB66,000,000.
- (b) In December 2016, our registered capital increased by RMB434,000,000 to RMB500,000,000.
- (c) In July 2017, our registered capital decreased by RMB187,610,000 to RMB312,390,000.
- (d) On December 22, 2017, our Company was converted into a joint stock limited company with the registered capital of RMB312,390,000, divided into 312,390,000 Domestic Shares of par value RMB1.00 each, all of which were held and fully paid up or credited as fully paid up by the promoters.

For details, please refer to the section headed “History, Development and Corporate Structure”.

Immediately following completion of the Global Offering, assuming that the Over-allotment Option is not exercised, the registered share capital of the Company will be RMB446,272,000, divided into 312,390,000 Domestic Shares and 133,882,000 H Shares, fully paid up or credited as fully paid up, representing approximately 70% and 30% of the registered share capital, respectively.

Save as disclosed above, there has been no alteration in the registered share capital of the Company since its conversion into a joint stock limited company in the PRC.

### **C. Resolutions of the Shareholders' meeting in relation to the Global Offering**

At the annual general meeting of the year 2018 of our Company held on March 15, 2019, the following resolutions, among other things, were passed by the Shareholders:

- (a) the issuance by the Company of the H Shares with a nominal value of RMB1.00 each up to 35% of the total share capital of the Company upon completion of the Global Offering (regardless of the H Shares which may be issued upon the exercise of the Over-allotment Option) and such H Shares to be listed on the Hong Kong Stock Exchange;
- (b) subject to the completion of the Global Offering, the Articles of Association has been approved and adopted, which shall only become effective on the Listing Date, and the Board or its authorized persons have been authorized to amend the Articles of Association in accordance with any comments from the Hong Kong Stock Exchange and the relevant PRC or foreign regulatory authorities; and
- (c) the authorization to the Board and its authorized persons to exercise full power to deal with matters relating to the issuance of H Shares and the Listing.

## **2. SUBSIDIARIES OF OUR COMPANY**

### **A. Subsidiaries**

The list of our subsidiaries is set out in the Accountant's Report, the text of which is set out in Appendix I to this prospectus.

### **B. Changes in the capital of subsidiaries**

Save as disclosed below, there has been no alteration in the share capital of any of the subsidiaries of the Company within the two years preceding the date of this prospectus.

On November 30, 2018, the registered capital of Polymer Company increased from RMB18,000,000 to RMB33,000,000.

### 3. FURTHER INFORMATION ABOUT OUR BUSINESS

#### A. Summary of our material contracts

We have entered into the following contracts (not being contracts entered into in the ordinary course of business) within two years preceding the date of this prospectus which are or may be material, and a copy of each has been delivered to the Registrar of Companies in Hong Kong for registration:

- (a) the equity transfer agreement in relation to Aggregate Company dated April 28, 2018 entered into among the Company, YCIH and Aggregate Company, pursuant to which YCIH transferred its 100% equity interest in Aggregate Company to the Company for a consideration of RMB18,215,400;
- (b) the equity transfer agreement in relation to 14th Metallurgical New Material Company dated November 9, 2018 entered into among the Company, Aggregate Company and 14th Metallurgical New Material Company, pursuant to which Aggregate Company transferred its 100% equity interest in 14th Metallurgical New Material Company to the Company for a consideration of RMB32,647,209.12;
- (c) the cornerstone investment agreement dated August 13, 2019, entered into among the Company, Zoomlion International Trading (H.K.) Co., Limited and the Sole Sponsor, pursuant to which Zoomlion International Trading (H.K.) Co., Limited agreed to subscribe for 13,388,000 H Shares at the Offer Price;
- (d) the cornerstone investment agreement dated September 19, 2019, entered into among the Company, China Resources Cement Holdings (Hong Kong) Limited and the Sole Sponsor, pursuant to which China Resources Cement Holdings (Hong Kong) Limited agreed to subscribe for 40,164,000 H Shares at the Offer Price;
- (e) the non-competition agreement dated September 25, 2019 entered into between the Company and YCIH, details of which are set out in the section headed “Relationship with our Controlling Shareholders – Non-competition Agreement and Undertakings”; and
- (f) the Hong Kong Underwriting Agreement, details of which are set out in the section headed “Underwriting”.



**B. INTELLECTUAL PROPERTY RIGHTS****(a) Patents**

As of the Latest Practicable Date, we have registered the following patents which are considered by us to be or may be material to our business:

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
1.	The Company/ YCIH/ YCIH Fifth Construction Company Limited/ YCIH First Water Conservancy and Hydropower Construction Company Limited	Invention	An ultra-light insulation material concrete (一種超輕保溫 材料混凝土)	The PRC	ZL200910 218272.8	August 31, 2011	20 years
2.	Polymer Company	Invention	Preparation method, product and application of a high- efficiency water reducer (一種高效減水 劑的製備方 法、產品及應 用)	The PRC	ZL201510 388297.8	January 5, 2018	20 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
3.	The Company	Invention	Metakaolin concrete and design method for mixture proportion used in ultra-large volume structures (用於超大體積結構的偏高嶺土混凝土及配合比設計方法)	The PRC	ZL201710197625.5	May 31, 2019	20 years
4	The Company	Invention	A testing method on concrete setting time based on the principle of aggregates geometric surface area substitution (基於骨料等比表面積替代原則的混凝土凝結時間試驗方法)	The PRC	ZL201410668361.3	March 8, 2017	20 years
5	The Company	Invention	A control method on the setting time of super-retarded concrete based on sodium gluconate retarder (基於葡萄糖酸鈉緩凝劑的超緩凝混凝土凝結時間調控方法)	The PRC	ZL201410667513.8	February 10, 2016	20 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
6	The Company	Invention	A mixing proportion design method for preparing concrete using waste limestone chips with high stone powder content (一種高石粉含量的石灰岩廢石屑混凝土配合比設計方法)	The PRC	ZL201710197212.7	March 19, 2019	20 years
7	The Company	Utility model	A fixing device for drilling core of concrete test block (一種混凝土試塊鑽孔取芯用固定裝置)	The PRC	ZL201621245453.1	June 6, 2017	10 years
8	The Company	Utility model	A production and conveying device for high-performance concrete admixture (一種高性能混凝土外加劑生產輸送裝置)	The PRC	ZL201720113946.8	September 5, 2017	10 years
9	The Company	Utility model	A measuring device for the permeability coefficient of concrete (混凝土透水係數測定裝置)	The PRC	ZL201720970391.9	April 13, 2018	10 years

No.	Registrant	Type	Patent Name	Place of Registration	Patent Number	Date of Authorization	Duration of Patent Right
10	The Company	Utility model	A maintenance device for T-beam concrete (T型梁混凝土養護裝置)	The PRC	ZL201820774011.9	January 22, 2019	10 years
11	The Company	Utility model	A concrete production line that can increase productivity (能提高生產效率的混凝土生產線)	The PRC	ZL201720969891.0	May 22, 2018	10 years
12	The Company	Utility model	Pumping concrete pump outlet pressure measuring device (泵送混凝土出泵口壓力測定裝置)	The PRC	ZL201820774478.3	July 26, 2019	10 years
13	The Company and Polymer Company	Utility model	A loading device for reducing material loss (減少原料流失的裝車裝置)	The PRC	ZL201820122360.2	August 31, 2018	10 years
14	The Company and Polymer Company	Utility model	A compound loading system used in mother liquor compounding area (母液複配區複配裝車系統)	The PRC	ZL201820122356.6	August 21, 2018	10 years
15	The Company and Polymer Company	Utility model	Raw material unpacking machine (原料拆包機裝置)	The PRC	ZL201820119571.0	August 21, 2018	10 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
16	The Company and Polymer Company	Utility model	A polyether dissolution production device for easy feeding (便於進料的聚醚溶解生產裝置)	The PRC	ZL201820959542.5	February 15, 2019	10 years
17	The Company and Polymer Company	Utility model	A polyether dissolution production device for easy cutting (便於下料的聚醚溶解生產裝置)	The PRC	ZL201820960446.2	February 15, 2019	10 years
18	The Company and Polymer Company	Utility model	Blanking hopper of bale breaker (拆包機下料斗)	The PRC	ZL201820958900.0	February 15, 2019	10 years
19	The Company and Polymer Company	Utility model	Dissolution kettle for efficient production of polyether (高效率生產聚醚用溶解釜)	The PRC	ZL201820958906.8	March 19, 2019	10 years
20	The Company and Polymer Company	Utility model	Dissolving kettle with spoiler for producing (設有擾流板的生產聚醚用溶解釜)	The PRC	ZL201820958443.5	March 15, 2019	10 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
21	The Company and Qijing Building Material	Invention	A scrap recycling system and method used in concrete mixing station (一種混凝土攪拌站廢料回收利用系統及方法)	The PRC	ZL201610632968.5	November 27, 2018	20 years
22	The Company and Qijing Building Material	Utility model	An automatic preparation device for waste slurry (一種廢漿自動配製裝置)	The PRC	ZL201620839952.7	January 25, 2017	10 years
23	The Company and Qijing Building Material	Utility model	An adjustable recycling system with constant concentration for waste slurry in concrete mixing station (一種混凝土攪拌站的廢漿水可調恒定濃度回收利用系統)	The PRC	ZL201620839914.1	January 25, 2017	10 years
24	The Company and Qijing Building Material	Utility model	A centralized dust removal system used in the powder silo of a mixing station (一種攪拌站粉料倉集中除塵系統)	The PRC	ZL201620839732.4	January 25, 2017	10 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
25	The Company and Qujing Building Material	Utility model	An anti-dust backflow device used for dust collection in mixing station (一種攪拌站收塵用的防粉塵回流裝置)	The PRC	ZL201620840302.4	February 8, 2017	10 years
26	The Company and Qujing Building Material	Utility model	A device with constant volume used for detecting waste slurry concentration (一種容積恒定的廢漿濃度檢測裝置)	The PRC	ZL201620840304.3	February 8, 2017	10 years
27	The Company and Qujing Building Material	Utility model	A device for conveying cement powder (一種水泥粉料輸送裝置)	The PRC	ZL201620839758.9	February 8, 2017	10 years
28	The Company and Qujing Building Material	Utility model	A system for automatic mixing raw materials at concrete batching plants (一種混凝土攪拌站原料自動配製系統)	The PRC	ZL201620839807.9	January 25, 2017	10 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
29	Qujing Building Material	Utility model	A high-efficiency crushing device for construction waste (一種建築垃圾高效破碎裝置)	The PRC	ZL.201821 604406.0	July 5, 2019	10 years
30	Qujing Building Material	Utility model	A sorting and recycling device for construction waste (一種建築垃圾分揀回收裝置)	The PRC	ZL201821 604395.6	July 5, 2019	10 years
31	Qujing Building Material	Utility model	A high-efficiency sieving device for construction waste (一種建築垃圾高效篩分碎裝置)	The PRC	ZL201821 604412.6	July 5, 2019	10 years
32	Qujing Building Material	Utility model	A mobile recycling and disposal system for construction waste (一種移動式建築垃圾再生處理系統)	The PRC	ZL201821 604403.7	July 5, 2019	10 years



<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
33	Qujing Building Material	Utility model	A device for recycling construction waste to produce recycled concrete aggregates (一種建築垃圾資源化生產混凝土再生骨料的裝置)	The PRC	ZL201821605110.0	July 5, 2019	10 years
34	Qujing Building Material	Utility model	A collecting bin for recycled aggregates produced using construction waste (一種建築垃圾再生骨料用集料倉)	The PRC	ZL201821605113.4	July 5, 2019	10 years
35	Qujing Building Material	Utility model	An anti-falling belt conveying device for concrete production (一種混凝土生產用防落料皮帶輸送裝置)	The PRC	ZL201821605107.9	July 5, 2019	10 years

<u>No.</u>	<u>Registrant</u>	<u>Type</u>	<u>Patent Name</u>	<u>Place of Registration</u>	<u>Patent Number</u>	<u>Date of Authorization</u>	<u>Duration of Patent Right</u>
36	Qujing Building Material	Utility model	A wastewater sedimentation tank in concrete batching plants with recoil reflux device (一種帶反沖回流裝置的混凝土攪拌站廢水沉澱池)	The PRC	ZL201821604362.1	July 5, 2019	10 years
37	Qujing Building Material	Utility model	An anti-reflux centralized dust collecting device for powder silo in batching plants (一種防回流的攪拌站粉料倉集中收塵裝置)	The PRC	ZL201821604380.X	July 5, 2019	10 years
38	Qujing Building Material	Utility model	A device for separating sand and stone in waste slurry in batching plants (一種混凝土攪拌站廢料漿的砂石分離裝置)	The PRC	ZL201821605112.X	July 5, 2019	10 years
39	Qujing Building Material	Utility model	A high-efficiency dust removal system for concrete batching plant (一種混凝土攪拌站高效除塵系統)	The PRC	ZL201821604413.0	July 5, 2019	10 years

**(b) Domain name**

As of the Latest Practicable Date, we have registered the following domain name which we consider to be material or potentially material to our business:

<u>No.</u>	<u>Domain Name</u>	<u>Registrant</u>	<u>Date of Registration</u>	<u>Expiry Date</u>
1	ynhnt.com	The Company	November 16, 2004	November 16, 2021

**(c) Software copyrights**

As of the Latest Practicable Date, we have registered the following software copyrights which we consider to be material or potentially material to our business:

<u>No.</u>	<u>Software Name</u>	<u>Registrant</u>	<u>Registration Number</u>	<u>Date of Registration</u>
1	YCIH Concrete ERP Management System Software (Short name: Yunnan Concrete ERP Management System) V1.0 (雲南建投砵ERP管理系統軟件(簡稱:雲南砵ERP管理系統) V1.0)	The Company	2017SR460121	April 5, 2017
2	Waste Residue Loop Control System Software for Mixing Station V1.0 (攪拌站廢渣循環利用控制軟件 V1.0)	Qujing Building Material	2016SR338919	August 10, 2016

## (d) Trademarks

As of the Latest Practicable Date, we have registered the following trademarks which we consider to be material or potentially material to our business:

No.	Registrant	Trademark	Place of Registration	Registration Number	Class	Expiry Date
1	The Company		Hong Kong	304808007	1, 19, 35, 37, 39, 42, 45	January 20, 2029
2	The Company	 雲建綠砵 —GHPC— (A)	Hong Kong	304808016	1, 19, 35, 37, 39, 42, 45	January 20, 2029
3	The Company	 雲建綠砵 —GHPC— (B) 雲建綠砵 云建绿砵	Hong Kong	304807918	1, 19, 35, 37, 39, 42, 45	January 20, 2029

As of the Latest Practicable Date, we have applied for the following trademarks which we consider to be material or potentially material to our business:

No.	Registrant	Trademark	Place of Application	Application Number	Class	Date of Application
1	The Company	雲建綠砵	The PRC	35932570	1	January 14, 2019
2	The Company		The PRC	35930943	37	January 14, 2019
3	The Company		The PRC	35930009	35	January 14, 2019
4	The Company	—GHPC—	The PRC	35928584	37	January 14, 2019
5	The Company	—GHPC—	The PRC	35927021	40	January 14, 2019
6	The Company	雲建綠砵	The PRC	35925743	35	January 14, 2019
7	The Company	—GHPC—	The PRC	35923641	35	January 14, 2019
8	The Company		The PRC	35922653	19	January 14, 2019
9	The Company	雲建綠砵	The PRC	35920455	40	January 14, 2019
10	The Company	—GHPC—	The PRC	35920041	1	January 14, 2019

No.	Registrant	Trademark	Place of Application	Application Number	Class	Date of Application
11	The Company	—GHPC—	The PRC	35920041A	1	January 14, 2019
12	The Company		The PRC	35918532	40	January 14, 2019
13	The Company		The PRC	35918006	39	January 14, 2019
14	The Company	雲建綠砦	The PRC	35916055	19	January 14, 2019
15	The Company		The PRC	35914577	1	January 14, 2019
16	The Company	—GHPC—	The PRC	35914362	19	January 14, 2019
17	The Company	雲建綠砦	The PRC	35914224	39	January 14, 2019
18	The Company	雲建綠砦	The PRC	35912709	37	January 14, 2019
19	The Company	—GHPC—	The PRC	35909287	39	January 14, 2019
20	The Company	云建绿砦	The PRC	33397806	40	September 7, 2018
21	The Company	云建绿砦	The PRC	33397747	37	September 7, 2018
22	The Company	云建绿砦	The PRC	33397737	35	September 7, 2018
23	The Company	云建绿砦	The PRC	33395400	19	September 7, 2018
24	The Company	云建绿砦	The PRC	33381891	1	September 7, 2018
25	The Company	云建绿砦	The PRC	33378245	39	September 7, 2018

**4. FURTHER INFORMATION ABOUT DIRECTORS, SUPERVISORS, CHIEF EXECUTIVE AND SUBSTANTIAL SHAREHOLDERS****A. Particulars of service contracts**

Pursuant to Rules 19A.54 and 19A.55 of the Hong Kong Listing Rules, each of our Directors and Supervisors has entered into a service contract with our Company in respect of, among others, (i) compliance with relevant laws and regulations, (ii) observance of the Articles of Association, and (iii) provisions of arbitration with our Company.

Save as disclosed above, none of our Directors or Supervisors has or is proposed to have a service contract with any member of the Company other than contracts expiring or determinable by the employer within one year without the payment of compensation (other than statutory compensation).

**B. Directors' and Supervisors' remuneration**

Save as disclosed in the section headed "Directors, Supervisors and Senior Management – Remuneration of Directors, Supervisors and Senior Management", none of the Directors or Supervisors received other remuneration or benefits in kind from the Company in respect of each of the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019.

**C. Agency fees or commissions paid or payable**

Save as disclosed in the section headed "Underwriting", none of the Directors, Supervisors, promoters or any of the persons whose names are listed in the paragraph headed "5. Other Information – F. Qualification of experts" in this appendix had received any commissions, discounts, agency fee, brokerages or other special terms in connection with the issue or sale of any capital of our Company or any of our subsidiaries.

**D. Disclosure of interests of substantial shareholders**

To the best of the Directors' knowledge and information, each of the following persons will, immediately following completion of the Global Offering without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option, have an interest or short position in the Shares or underlying Shares, which would be required to be disclosed to our Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group:

**(a) Interest in Shares of the Company**

Name of the Shareholder	Nature of Interest	Class of Shares	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)		
			Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 1)</sup>	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 2)</sup>
YCIH <sup>(Note 3)</sup>	Beneficial owner	Domestic Shares	228,600,000	73.18%	51.22%	228,600,000	73.18%	49.02%
	Interest held by controlled corporations <sup>(Note 4)</sup>	Domestic Shares	51,450,000	16.47%	11.53%	51,450,000	16.47%	11.03%
		<b>Total:</b>	<b>280,050,000</b>	<b>89.65%</b>	<b>62.75%</b>	<b>280,050,000</b>	<b>89.65%</b>	<b>60.05%</b>
YOIC <sup>(Note 4)</sup>	Beneficial owner	Domestic Shares	51,450,000	16.47%	11.53%	51,450,000	16.47%	11.03%
KMEIC <sup>(Note 5)</sup>	Beneficial owner	Domestic Shares	32,340,000	10.35%	7.25%	32,340,000	10.35%	6.93%
Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) <sup>(Note 6)</sup>	Interest held by controlled corporations <sup>(Note 6)</sup>	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%
Zoomlion H.K. Holding Co., Limited (中聯重科(香港)控股有限公司) <sup>(Note 6)</sup>	Interest held by controlled corporations <sup>(Note 6)</sup>	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%

## APPENDIX VI

## STATUTORY AND GENERAL INFORMATION

Name of the Shareholder	Nature of Interest	Class of Shares	Immediately following the completion of the Global Offering (assuming the Over-allotment Option is not exercised)			Immediately following the completion of the Global Offering (assuming the Over-allotment Option is fully exercised)		
			Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 1)</sup>	Number of Shares Directly or Indirectly Held	Approximate Percentage of Shareholding in the Relevant Class of Shares	Approximate Percentage of Issued Share Capital <sup>(Note 2)</sup>
Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司) <sup>(Note 6)</sup>	Beneficial owner	H Shares	13,388,000	10.00%	3.0%	13,388,000	8.70%	2.87%
China Resources Company Limited (中國華潤有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Inc. (華潤股份有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
CRC Bluesky Limited <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources (Holdings) Company Limited (華潤(集團)有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
CRH (Cement) Limited (華潤集團(水泥)有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Cement Holdings Limited (華潤水泥控股有限公司) <sup>(Note 7)</sup>	Interest held by controlled corporations <sup>(Note 7)</sup>	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%
China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司) <sup>(Note 7)</sup>	Beneficial owner	H Shares	40,164,000	30.00%	9.0%	40,164,000	26.09%	8.61%



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*Notes:*

- (1) The calculation is based on the total number of 446,272,000 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is not exercised).
- (2) The calculation is based on the total number of 466,354,300 Shares in issue immediately after the Global Offering (assuming the Over-allotment Option is fully exercised).
- (3) YCIH is the largest Shareholder and one of the State-owned Shareholders. Yunnan SASAC held 90.27% equity interest in YCIH and Yunnan Provincial Department of Finance (雲南省財政廳) held 9.73% equity interest in YCIH.
- (4) YOIC is the second largest Shareholder and one of the State-owned Shareholders. It is wholly owned by YCIH. By virtue of the SFO, YCIH is deemed to be interested in the 51,450,000 Domestic Shares held by YOIC.
- (5) KMEIC is the third largest Shareholder and one of the State-owned Shareholders. It is wholly owned by State-owned Assets Administration Commission Kunming Economic and Technological Development Zone (昆明經濟技術開發區國有資產管理委員會).
- (6) Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司) is a cornerstone investor of the Company and has agreed to subscribe for 13,388,000 H Shares at the Offer Price. Zoomlion Heavy Industry Science and Technology Co., Ltd. (中聯重科股份有限公司) is the sole shareholder of Zoomlion H.K. Holding Co., Limited (中聯重科(香港)控股有限公司), which in turn is the sole shareholder of Zoomlion International Trading (H.K.) Co., Limited (中聯重科國際貿易(香港)有限公司).
- (7) China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司) is a cornerstone investor of the Company and has agreed to subscribe for 40,164,000 H Shares at the Offer Price. China Resources Company Limited (中國華潤有限公司) is the beneficial owner of the entire issued share capital of China Resources Inc. (華潤股份有限公司), which in turn is the beneficial owner of the entire issued share capital of CRC Bluesky Limited, which in turn is the beneficial owner of the entire issued share capital of China Resources (Holdings) Company Limited (華潤(集團)有限公司), which in turn is the beneficial owner of the entire issued share capital of CRH (Cement) Limited (華潤集團(水泥)有限公司) and Commotra Company Limited (合貿有限公司). CRH (Cement) Limited (華潤集團(水泥)有限公司) directly held approximately 68.63% of the issued share capital of China Resources Cement Holdings Limited (華潤水泥控股有限公司), whereas Commotra Company Limited (合貿有限公司) directly held approximately 0.09% of the issued share capital of China Resources Cement Holdings Limited (華潤水泥控股有限公司), which in turn is the beneficial owner of the entire issued share capital of China Resources Cement Holdings (Hong Kong) Limited (華潤水泥控股(香港)有限公司).

## (b) Substantial shareholders of other members of the Group

No.	Name of shareholder	Name of member of the Group	Capacity	Approximate percentage of ownership held by the shareholder
1	Yuanjiang Zhikai Materials Industry and Trade Co., Ltd. (元江志開物資工貿有限公司)	Yuxi Building Material	Beneficial owner	15%
2	Yuxi Yanhe Land Development Investment Co., Ltd. (玉溪研和土地開發投資有限公司)	Yuxi Building Material	Beneficial owner	30%
3	Yunnan Zhujiang	Qujing Building Material	Beneficial owner	30%
4	Qujing Zhongwei	Qujing Building Material	Beneficial owner	20%
5	Yongchang Investment	Baoshan Building Material	Beneficial owner	50%

Saved as disclosed herein, our Directors are not aware of any person who will, immediately upon completion of the Global Offering without taking into account the Shares which may be issued upon the exercise of the Over-allotment Option, have an interest or short position in Shares or underlying Shares which would be required to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO, or, directly or indirectly, be interested in 10% or more of the nominal value of any class of share capital carrying rights to vote in all circumstances at the general meetings of any other member of the Group.

**E. Disclosure of the Directors', Supervisors' or chief executive's interests in the Shares, underlying Shares and debentures of the Company or any of its associated corporations**

Immediately following the completion of the Global Offering, none of the Directors, Supervisors or chief executive of our Company has any interest or short position in the Shares, underlying Shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO):

- (a) which will have to be notified to the Company and the Hong Kong Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they are taken or deemed to have taken under such provisions of the SFO), or which will be required, pursuant to section 352 of the SFO, to be entered in the register referred to therein; or
- (b) which will be required, pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Hong Kong Listing Rules, to be notified to our Company and the Hong Kong Stock Exchange.

**F. Disclaimers**

- (a) None of our Directors or Supervisors nor any of the parties listed in the paragraph headed "5. Other Information – F. Qualification of experts" in this appendix has any direct or indirect interest in the promotion of the Company, or in any assets which have, within the two years immediately preceding the date of this prospectus, been acquired or disposed of by or leased to the Company, or are proposed to be acquired or disposed of by or leased to the Company.
- (b) None of our Directors or Supervisors nor any of the parties listed in paragraph headed "5. Other Information – F. Qualification of experts" in this appendix is materially interested in any contract or arrangement subsisting at the date of this prospectus which is significant in relation to the business of the Company taken as a whole.
- (c) Save as disclosed in the sections headed "Substantial Shareholders" and "Appendix VI – Statutory and General Information – 4. Further Information about Directors, Supervisors, Chief Executive and Substantial Shareholders", without taking into account any H Shares which may be taken up under the Global Offering, none of our Directors or Supervisors is aware of any person (not being a Director, Supervisor or chief executive of the Company) who will, immediately following completion of the Global Offering, have an interest or short position in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company and the Hong Kong Stock Exchange under the provisions of Divisions 2 and 3 of Part XV of the SFO.

- (d) Save as disclosed in the sections headed “Business – Our Top Five Customers” and “Business – Our Top Five Suppliers”, so far as is known to the Directors, none of our Directors or Supervisors or their respective close associates (as defined under the Hong Kong Listing Rules) or any Shareholders of the Company (who, to the knowledge of our Directors, owns more than 5% of the issued share capital of the Company) has any interests in the five largest customers or the five largest suppliers of the Company.

## **5. OTHER INFORMATION**

### **A. Estate duty**

The Directors have been advised that no material liability for estate duty is likely to fall upon any member of the Group.

### **B. Litigation**

No member of our Group was engaged in any litigation, arbitration or claim of material importance, and no litigation, arbitration or claim of material importance is known to our Directors to be pending or threatened against any member of our Group as of the Latest Practicable Date.

### **C. Sole Sponsor**

The Sole Sponsor is China International Capital Corporation Hong Kong Securities Limited. The Sole Sponsor satisfies the criteria of independence applicable to sponsors set out in Rule 3A.07 of the Hong Kong Listing Rules.

The Sole Sponsor has made an application on our behalf to the Listing Committee of the Hong Kong Stock Exchange for a listing of, and permission to deal in, the H Shares to be issued as mentioned in this prospectus. Our Company has agreed to pay the Sole Sponsor a fee of RMB10 million to act as a sponsor in connection with the Listing.

### **D. Promoters**

The promoters of our Company are YCIH, YOIC and KMEIC. For details, please refer to the section headed “History, Development and Corporate Structure”.

Saved for the Global Offering and as disclosed in the sections headed “History, Development and Corporate Structure” and “Connected Transactions”, within the two years immediately preceding the date of this prospectus, no cash, securities or other benefit has been paid, allotted or given, or proposed to be paid, allotted or given to any promoters in connection with the Global Offering or the related transactions described in this prospectus.

### **E. Preliminary expenses**

The preliminary expenses of our Company are approximately RMB3,322,490.18 and were borne by our Company.

**F. Qualification of experts**

The qualifications of the experts, as defined under the Hong Kong Listing Rules, who have given opinions in this prospectus, are as follows:

<u>Name</u>	<u>Qualification</u>
China International Capital Corporation Hong Kong Securities Limited	A corporation licensed to carry out type 1 (dealing in securities), type 2 (dealing in futures contracts), type 4 (advising on securities), type 5 (advising on futures contracts) and type 6 (advising on corporate finance) regulated activities under the SFO
PricewaterhouseCoopers	Certified Public Accountants
Commerce & Finance Law Offices	PRC legal advisers
China Insights Industry Consultancy Limited	Independent industry consultant

**G. Consents of experts**

Each of the experts as referred to in the paragraph headed “5. Other Information – F. Qualification of experts” in this appendix has given, and has not withdrawn, their respective written consents to the issue of this prospectus with the inclusion of their reports and/or letters and/or advices and/or the references to their names included herein in the form and context in which they are respectively included.

None of the experts named above has any shareholding interests in any member of our Company or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of our Company.

**H. Binding effect**

This prospectus shall have the effect, if an application is made in pursuance hereof, of rendering all persons concerned bound by all the provisions (other than the penal provisions) of sections 44A and 44B of the Companies (Winding Up and Miscellaneous Provisions) Ordinance so far as applicable.

**I. No material adverse change**

Our Directors confirm that there has been no material adverse change in the financial or trading position of our Company since April 30, 2019 (being the date to which our Company’s latest audited consolidated financial statements were prepared).

**J. Miscellaneous**

- (a) Within the two years immediately preceding the date of this prospectus:
  - (i) save as disclosed in the section headed “Appendix VI – Statutory and General Information – 2. Subsidiaries of Our Company”, no share or loan capital of the Company or any of our subsidiaries has been issued or agreed to be issued or is proposed to be fully or partly paid either for cash or a consideration other than cash;
  - (ii) no share or loan capital of the Company or any of our subsidiaries is under option or is agreed conditionally or unconditionally to be put under option;
  - (iii) save as disclosed in the section headed “Underwriting”, no commissions, discounts, brokerages or other special terms have been granted or agreed to be granted in connection with the issue or sale of any share or loan capital of the Company or any of our subsidiaries; and
  - (iv) save as disclosed in the section headed “Underwriting – Underwriting Arrangements and Expenses – Commission and Expenses”, no commission has been paid or is payable for subscription, agreeing to subscribe, procuring subscription or agreeing to procure subscription for any share in or debenture of the Company.
- (b) There are no founders or management or deferred shares or debentures of the Company or any of our subsidiaries.
- (c) There has been no interruption in the business of the Company which may have or has had a significant effect on the financial position of the Company in the last 12 months preceding the date of this prospectus.
- (d) The Company has no outstanding convertible debt securities or debentures.
- (e) There is no arrangement under which future dividends are waived or agreed to be waived.
- (f) There are no exercise of any right of pre-emption or transfer of subscription rights or relevant procedures.
- (g) There are no contracts for the hire or hire purchase of any plant to or by any member of the Group for a period of over one year which are substantial in relation to our business.
- (h) No part of the equity and debt securities of our Company, if any, is currently listed on or dealt in on any other stock exchange or trading system nor is any listing or permission to list on any stock exchange other than the Hong Kong Stock Exchange is currently being or agreed to be sought.

- (i) The Company currently does not intend to apply for the status of a sino-foreign investment joint stock limited company and do not expect to be subject to the PRC Sino-foreign Joint Venture Law.
  
- (j) All necessary arrangements have been made by the Company to enable the H shares to be admitted into CCASS for clearing and settlement.

**K. Bilingual prospectus**

The English language and Chinese language versions of this prospectus are being published separately, in reliance upon the exemption provided by Section 4 of the Companies (Exemption of Companies and Prospectuses from Compliance with Provisions) Notice (Chapter 32L of the Laws of Hong Kong).

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**APPENDIX VII                      DOCUMENTS DELIVERED TO THE REGISTRAR OF  
COMPANIES AND AVAILABLE FOR INSPECTION**

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**1.    DOCUMENTS DELIVERED TO THE REGISTRAR OF COMPANIES**

The documents attached to the copy of this prospectus delivered to the Registrar of Companies in Hong Kong for registration were:

- (a) copies of the **WHITE, YELLOW** and **GREEN** Application Forms;
- (b) copies of the material contracts referred to in “Appendix VI – Statutory and General Information – 3. Further Information about Our Business – A. Summary of our material contracts”; and
- (c) the written consents referred to in “Appendix VI – Statutory and General Information – 5. Other Information – G. Consents of experts”.

**2.    DOCUMENTS AVAILABLE FOR INSPECTION**

Copies of the following documents will be available for inspection at the offices of Baker & McKenzie at 14th Floor, One Taikoo Place, 979 King’s Road, Quarry Bay, Hong Kong, during normal business hours up to and including the date which is 14 days from the date of this prospectus:

- (a) the Articles of Association;
- (b) the Accountant’s Report from PricewaterhouseCoopers, the text of which is set out in Appendix I;
- (c) the report from PricewaterhouseCoopers relating to the unaudited pro forma financial information, the text of which is set out in Appendix II;
- (d) the audited consolidated financial statements of our Group for the three years ended December 31, 2016, 2017 and 2018 and the four months ended April 30, 2019;
- (e) the material contracts referred to in “Appendix VI – Statutory and General Information – 3. Further Information about Our Business – A. Summary of our material contracts”;
- (f) the written consents referred to in “Appendix VI – Statutory and General Information – 5. Other Information – G. Consents of experts”;
- (g) the legal opinion issued by the PRC Legal Advisers in respect of certain aspects of our Group;
- (h) the PRC Company Law, the Mandatory Provisions and the Special Regulations together with their unofficial English translations;
- (i) the service contracts of the Directors and Supervisors referred to in “Appendix VI – Statutory and General Information – 4. Further Information about Directors, Supervisors, Chief Executive and Substantial Shareholders – A. Particulars of service contracts”; and
- (j) the CIC Report, the summary of which is set out in “Industry Overview”.





雲建綠砼  
—GHPC—

**雲南建投綠色高性能  
混凝土股份有限公司**

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