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## THIS CIRCULAR IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION

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

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

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

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雲建綠砼  
— **GHPC** —

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

(A joint stock company incorporated in the People's Republic of China with limited liability)  
(Stock Code: 1847)

- (1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2026-2028 FINANCIAL SERVICES FRAMEWORK AGREEMENT;
- (2) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND PROPERTY LEASING FRAMEWORK AGREEMENT; AND
- (3) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF GUARANTEE  
AND  
NOTICE OF THE EGM

**Independent Financial Adviser to the Independent Board Committee and  
the Independent Shareholders**  
**VBG Capital Limited**

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A letter from the Board is set out on pages 6 to 37 of this circular. A letter from the Independent Board Committee containing its advice to the Independent Shareholders is set out on pages 38 to 39 of this circular. A letter from the Independent Financial Adviser VBG Capital Limited containing its advice to the Independent Board Committee and the Independent Shareholders is set out on pages 40 to 58 of this circular.

The Company intends to convene the EGM at 10:00 a.m. on Wednesday, March 4, 2026 at Conference Room No. 908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

Enclosed herewith is a form of proxy for use at the EGM, such form of proxy is also published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company (<https://www.ynhnt.com>).

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

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## DEFINITIONS

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

“2023 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and YCIH Financial Company on October 31, 2022, pursuant to which YCIH Financial Company agreed to provide a range of financial services and the Group agreed to use some or all such financial services depending on its requirements
“2025-2027 Land and Property Leasing Framework Agreement” or “Land and Property Leasing Framework Agreement”	the 2025-2027 land and property leasing framework agreement dated November 29, 2024 entered into between the Company and YCIH, pursuant to which YCIH and its associates agreed to lease certain land and properties lawfully owned by YCIH and its associates to the Company and its subsidiaries
“2026-2028 Financial Services Framework Agreement”	the financial services framework agreement entered into between the Company and YCIH on November 17, 2025, pursuant to which YCIH agreed to provide a range of financial services and the Group agreed to use some or all such financial services depending on its requirements
“Anning Phosphogypsum Comprehensive Utilization Project” or “Project”	Anning Green Building Materials Industrial Park Project with annual treatment of 1 million tons of Phosphogypsum + 1 million tons of industrial solid waste
“Anning Rural Credit Cooperative Caopu Branch”	Anning Rural Credit Cooperative Caopu Branch* (安寧市農村信用合作聯社草鋪信用社)
“Articles of Association”	the Articles of Association of YCIH Green High-Performance Concrete Company Limited (as amended, modified or otherwise supplemented from time to time)
“associate(s)”	has the meaning ascribed to it under the Listing Rules
“Board”	the board of Directors of the Company
“Building Materials Technology Company”	YCIH Building Materials Technology Co., Ltd.* (雲南建投建材科技有限公司), a subsidiary of YCIH and a connected person of the Company
“China” or “PRC” or “State”	the People’s Republic of China, which for the purpose of this circular only, excludes Hong Kong, the Macau Special Administrative Region of the PRC and Taiwan region
“Company”	YCIH Green High-Performance Concrete Company Limited (雲南建投綠色高性能混凝土股份有限公司)

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## DEFINITIONS

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“connected person(s)”	has the meaning ascribed to it under the Listing Rules
“controlling shareholder(s)”	has the meaning ascribed to it under the Listing Rules
“Director(s)”	the director(s) of the Company
“Domestic Share(s)”	ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are subscribed for and paid up in RMB
“EGM”	the extraordinary general meeting to be convened by the Company to consider and approve the three transactions and/or connected transactions
“three transactions and/or connected transactions”	(i) major transactions and continuing connected transactions in relation to the 2026-2028 Financial Services Framework Agreement; (ii) the revision of the existing 2025 annual cap for the continuing connected transactions under the Land and Property Leasing Framework Agreement; and (iii) major transaction and connected transaction in relation to provision of guarantee
“Group”	the Company and its subsidiaries
“Guarantee Agreement”	the guarantee agreement signed by Anning Rural Credit Cooperative Caopu Branch and Phosphogypsum Company on November 17, 2025
“H Share Registrar”	Computershare Hong Kong Investor Services Limited
“H Share(s)”	overseas listed foreign invested ordinary share(s) in the share capital of the Company, with a nominal value of RMB1.00 each, which are listed on the Main Board of the Stock Exchange and subscribed for and traded in Hong Kong Dollars
“High-tech Enterprise(s)”	the knowledge-intensive and technology-intensive economic entity(ies) that continuously carry(ies) out research and development as well as transformation of technological achievements under the High and New Technology Areas with Key State Support issued by the State and form(s) independent core intellectual property rights and carry(ies) out business activities on this basis
“HKD” or “HK\$”	Hong Kong dollars, the lawful currency of Hong Kong
“Hong Kong”	Hong Kong Special Administrative Region of the PRC

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## DEFINITIONS

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“Independent Board Committee”	the independent board committee, comprising all independent non-executive Directors (namely Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun), established to advise the Independent Shareholders in respect of the three transactions and/or connected transactions
“Independent Financial Adviser” or “VBG Capital”	VBG Capital Limited, a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO and the independent financial adviser appointed by the Company to advise to the Independent Board Committee and the Independent Shareholders in respect of the three transactions and/or connected transactions
“Independent Shareholders”	Shareholders who are not required to abstain from voting at the EGM, i.e., Shareholders other than YCIH and its associates
“independent third party(ies)”	person(s) or entity(ies) which, to the best of the Directors’ knowledge, information and belief, having made all reasonable enquiries, is (are) not considered as connected person(s) of the Company under the Hong Kong Listing Rules
“Infrastructure Investment Company”	Yunnan Infrastructure Investment Co., Ltd.* (雲南建設基礎設施投資股份有限公司), a subsidiary of YCIH and a connected person of the Company
“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), holding 7.25% equity interest of the Company as at the Latest Practicable Date
“Latest Practicable Date”	February 9, 2026, being the latest practicable date prior to the finalization of this circular for the purpose of ascertaining certain information contained herein
“Leasing Contract”	The leasing contract signed by Building Materials Technology Company and Phosphogypsum Company on November 17, 2025
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Main Board”	the stock market (excluding the option market) operated by the Stock Exchange which is independent from and operated in parallel with the GEM of the Stock Exchange
“NFRA”	National Financial Regulation Administration (國家金融監督管理總局)

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## DEFINITIONS

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“PBOC”	the People’s Bank of China (中國人民銀行)
“percentage ratio(s)”	has the meaning ascribed to it under the Listing Rules
“Phosphogypsum”	the by-product generated during the wet-process phosphoric acid production, the main component of which is calcium sulfate dihydrate ( $\text{CaSO}_4 \cdot 2\text{H}_2\text{O}$ ), containing environmentally harmful impurities such as phosphoric acid and fluorides. It is classified as Class II industrial solid waste of general industrial solid waste, of which treatment and resource utilization are closely related to the sustainable development of the phosphorus chemical industry and the ecological environment protection of the Yangtze River Basin
“Phosphogypsum Company”	YCIH Phosphogypsum Comprehensive Utilization Industry Technology Co., Ltd.* (雲南建投磷石膏綜合利用產業技術有限公司), a limited liability company jointly established by YCIH, the Company and Infrastructure Investment Company for the purpose of the investment, financing, construction, and operation of the Anning Phosphogypsum Comprehensive Utilization Project, and a connected subsidiary of the Company
“PRC ASBE”	the Accounting Standards for Business Enterprises promulgated by the Ministry of Finance of the PRC and the application guidance, interpretations and other related requirements subsequently issued
“RMB”	Renminbi, the lawful currency of the PRC
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), as amended, supplemented or otherwise modified from time to time
“Share(s)”	ordinary share(s) in the share capital of the Company with a nominal value of RMB1.00 each, comprising H Shares and Domestic Shares
“Shareholder(s)”	the holder(s) of the share(s) of the Company
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“subsidiary(ies)”	has the meaning ascribed to it under the Listing Rules
“substantial shareholder(s)”	has the meaning ascribed to it under Part XV of the SFO
“the 15th Five-Year Plan”	the 15th Five-Year Plan for Economic and Social Development of the PRC (2026-2030)

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## DEFINITIONS

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“USD”	United States dollar(s), the lawful currency of the United States of America
“YCIH”	Yunnan Construction and Investment Holding Group Co., Ltd.* (雲南省建設投資控股集團有限公司), the controlling shareholder of the Company under the meaning of the Listing Rules
“YCIH Factoring Company”	YCIH Commercial Factoring (Shanghai) Co., Ltd.* (雲建投商業保理(上海)有限公司), a subsidiary of YCIH and a connected person of the Company
“YCIH Financial Company”	Yunnan Construction and Investment Holding Group Financial Management Company Limited* (雲南建投集團財務有限公司), a subsidiary of YCIH and a connected person of the Company
“YCIH Group”	YCIH and its subsidiaries
“YOIC”	Yunnan Provincial Overseas Investment Co., Ltd.* (雲南省海外投資有限公司), a limited liability company established in the PRC, a wholly-owned subsidiary of YCIH and a controlling shareholder of the Company
“Yunnan Province”	Yunnan Province, the PRC
“Yunnan SASAC”	State-Owned Assets Supervision and Administration Commission of Yunnan Provincial People’s Government (雲南省人民政府國有資產監督管理委員會)
“%”	per cent

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## LETTER FROM THE BOARD

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雲建綠砼  
— GHPC —

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

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

(Stock Code: 1847)

**Executive Directors:**

Mr. Li Zhangjian  
Mr. Zhang Long  
Mr. Liu Zhen  
Ms. Wang Fang (*employee Director*)

**Registered Office:**

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

**Non-executive Directors:**

Ms. Yang Jia  
Mr. Jin Ming

**Independent non-executive Directors:**

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

**Headquarters in the PRC:**

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

**Principal Place of Business in Hong Kong:**

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

February 9, 2026

*To the Shareholders:*

Dear Sir/Madam,

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## LETTER FROM THE BOARD

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**(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED  
TRANSACTIONS IN RELATION TO THE 2026-2028 FINANCIAL SERVICES  
FRAMEWORK AGREEMENT;**  
**(2) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE  
CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND  
PROPERTY LEASING FRAMEWORK AGREEMENT; AND**  
**(3) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN  
RELATION TO PROVISION OF GUARANTEE  
AND  
NOTICE OF THE EGM**

### **I. INTRODUCTION**

Reference is made to the announcement of the Company dated November 18, 2025, in relation to, among others, the Company's three transactions and/or connected transactions. When considering the resolutions related to the aforementioned three transactions and/or connected transactions, please read this circular carefully.

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

### **II. DETAILS OF EACH TRANSACTION TO BE CONSIDERED AT EGM**

#### **(I) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2026-2028 FINANCIAL SERVICES FRAMEWORK AGREEMENT**

##### ***1. Background***

References are made to the announcement and the circular of the Company dated October 31, 2022 and December 8, 2022, respectively, in relation to, among others, the existing continuing connected transactions under the 2023 Financial Services Framework Agreement.

The terms of the 2023 Financial Services Framework Agreement entered into between the Company and YCIH Financial Company expired on December 31, 2025. In addition, the Company anticipated that the Group will require YCIH Financial Company to continue to provide financial services in the future, and will also require YCIH Factoring Company to provide factoring services, among other services. To facilitate the management of connected transactions related to financial services between the Company and YCIH, the Company entered into the 2026-2028 Financial Services Framework Agreement with YCIH on November 17, 2025 after negotiations to renew the 2023 Financial Services Framework Agreement and expand the types of transactions thereunder.

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## LETTER FROM THE BOARD

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### ***2. Details of 2026-2028 Financial Services Framework Agreement***

#### *A. Parties*

- (i) the Company (the service recipient, for itself and on behalf of its subsidiaries); and
- (ii) YCIH (the service provider, for itself and on behalf of its associates).

#### *B. Principal terms*

On November 17, 2025, the Company entered into the 2026-2028 Financial Services Framework Agreement with YCIH, pursuant to which YCIH agreed to provide the following financial services and the Company agreed to use some or all such financial services depending on its requirements:

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

The 2026-2028 Financial Services Framework Agreement shall become effective from January 1, 2026 upon the Company obtaining the approval of the Independent Shareholders at the EGM, and shall remain valid until December 31, 2028.

The other principal terms of the 2026-2028 Financial Services Framework Agreement are as follows:

- (i) the relevant parties shall, during the term of the 2026-2028 Financial Services Framework Agreement, enter into specific written agreements which specify and record the terms and provisions of the specific financial services transactions to be conducted in accordance with the principles and terms of the 2026-2028 Financial Services Framework Agreement in all material aspects;
- (ii) the Company has the right to choose the financial institution, type and amount of financial services as well as timing of transaction based on its business needs and is not obligated to use the financial services provided by YCIH; and
- (iii) during the term of the 2026-2028 Financial Services Framework Agreement, YCIH will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial services.

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## LETTER FROM THE BOARD

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### *C. Pricing guideline*

- (i) With respect to the deposit services, the interest rates payable by YCIH shall not be lower than the interest rates in respect of the same type of deposit services provided by major domestic commercial banks in the PRC to the Group in the same period;
- (ii) With respect to the bills acceptance and discount services, the service fees or interest rates to be charged by YCIH shall not be higher than those of the same type of services provided by major domestic commercial banks in the PRC to the Group in the same period;
- (iii) With respect to the letters of guarantee services, the fees to be charged by YCIH shall not be higher than those of the same type of services provided by major domestic commercial banks in the PRC to the Group in the same period;
- (iv) With respect to factoring service, the fees to be charged by YCIH shall not be higher than those of the same type of services provided by major domestic commercial banks and major domestic commercial factoring companies in the PRC to the Group in the same period; and
- (v) With respect to other financial services (including but not limited to assistance in fund receipt and payment and other business approved by the NFRA), the fees to be charged by YCIH shall not be higher than those of the same type of services charged by major domestic commercial banks in the PRC to the Group in the same period.

Before utilizing services (including factoring service) provided by YCIH, the Group will obtain quotes from at least three major domestic commercial banks and/or commercial factoring companies in the PRC for the provision of the same or similar services and compare such quotes against the terms offered by YCIH to decide whether to use the services provided by YCIH. The Company's methods and procedures for obtaining market or industry data, as well as the Company's internal approval procedures, are as follows:

The Company's financial management center has established a dedicated team, which is managed by a deputy manager, responsible for maintaining daily communication with major cooperative financial institutions and factoring companies to promptly obtain updates on their business activities. Additionally, the team also proactively monitors official channels, such as websites and WeChat accounts of relevant government departments or financial regulatory bodies, including the NFRA and the PBOC, to stay informed about national fiscal policies, financial regulatory policies and related updates. In case of business needs, the team will consolidate quotations and requirements from different financial institutions and factoring companies to formulate a preliminary proposal. The proposal is submitted via the OA form<sup>Note</sup> for review by the manager of Company's financial management center, and then submitted for approval by the chief financial officer, general manager, and chairman according to authority levels. The team is also responsible for following up and supervising the execution of specific business transactions, as well as compiling records of the actual processing details, to ensure that the actual transaction amounts remain within the annual caps approved by the Company's general meeting.

*Note:* OA forms refer to electronic forms within the Group's Office Automation system that are pre-configured with clearly defined management workflows and approval authorisations. Such forms can replace paper-based forms, enhancing approval efficiency and data traceability.

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## LETTER FROM THE BOARD

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### **3. Payment Terms**

The payment arrangements for connected transactions under the 2026-2028 Financial Services Procurement Framework Agreement are expected to be as follows:

- (i) deposit services: no fees are expected to occur, and no payment are involved;
- (ii) bills acceptance and discount services: for each transaction, the Group is required to pay a certain guarantees to YCIH (typically 20% of the par value, whereas the guarantees paid to other financial institutions is usually 40% of the par value), which will be used for settlement of the bills that are due. Simultaneously, the Company shall pay a handling fee (typically 0.05% per transaction, the same rate as that paid to other financial institutions). The discount rate, however, fluctuates from time to time based on market conditions. Typically, the discount rates offered by both YCIH and other financial institutions range between 2% and 6%; and
- (iii) factoring services: the fee rate is projected not to exceed 6% (as the Group has not previously been engaged in factoring business with YCIH, this rate is estimated with reference to the Group's prior factoring arrangements with banks and other financial institutions, as well as market practices).

### **4. Historical Annual Caps, Actual Transaction Amounts and Proposed Annual Caps**

#### *A. Historical annual caps and actual transaction amounts*

Save for the letters of guarantee services and other financial services, the historical annual caps for the daily balance of deposits placed by the Group with YCIH Financial Company (including interest accrued thereon) and the provision of the bills acceptance and discount services by YCIH Financial Company to the Group for each of the four years ended December 31, 2022, 2023, 2024 and 2025 are as follows:

*Unit: RMB million*

	<b>Year ended December 31,</b>			
	<b>2022</b>	<b>2023</b>	<b>2024</b>	<b>2025</b>
Deposit services – maximum daily balance (including interest accrued thereon)	150.00	200.00	200.00	200.00
Bills acceptance and discount services	100.00	400.00	400.00	400.00

Save for the letters of guarantee services and other financial services, the actual transaction amounts and utilization rate of annual caps for the daily balance of deposits placed by the Group with YCIH Financial Company (including interest accrued thereon) and the provision of the bills acceptance and discount services by YCIH Financial Company to the Group for each of the three years ended December 31, 2022, 2023 and 2024 and for the nine months ended September 30, 2025 are as follows:

## LETTER FROM THE BOARD

*Unit: RMB million*

	Year ended December 31,						Nine months ended September 30,		
	2022		2023		2024		2025		
	Actual transaction amount	Utilization rate of annual cap	Actual transaction amount	Utilization rate of annual cap	Actual transaction amount	Utilization rate of annual cap	Actual transaction amount	Utilization rate of annual cap	
Deposit services – maximum daily balance (including interest accrued thereon)	99.22	66%	89.00	45%	64.78	32%	66.65	33%	
Bills acceptance and discount services	21.28	21%	115.50	29%	68.50	17%	43.16	17%	

**Note:** The utilization rate represents the expected utilization rate of 2025 annual cap. The low utilisation rate is due to: when the 2025 annual cap was determined at the end of 2022, the Company anticipated significant growth in 2025 performance and believed that the rational use of financial products would enhance the Group's capital utilization efficiency. Consequently, substantial increases were expected in the annual caps for deposit services, bills acceptance and discount services. However, due to effect of policy adjustments on the real estate sector and government investments, the performance for 2025 is expected to be significantly lower than anticipated performance when the annual caps were determined. Moreover, as most of the deposit services, bills acceptance and discount services required by the Group are provided by independent third-party financial institutions such as banks, the actual transaction amounts for deposit services, bills acceptance and discount services with YCIH Financial Company are substantially lower than the expectations when the annual caps were determined.

### *B. Proposed annual caps*

Save for the letters of guarantee services and other financial services, the proposed annual caps for the provision of the deposit services, the bills acceptance and discount services, factoring service by YCIH to the Group for each of the three years ending December 31, 2026, 2027 and 2028 are as follows:

*Unit: RMB million*

	Year ended December 31,		
	2026	2027	2028
Deposit services – maximum daily balance (including interest accrued thereon)	200.00	200.00	200.00
Bills acceptance and discount services	300.00	300.00	300.00
Factoring service	30.00	30.00	30.00

As of the Latest Practicable Date, the Group has not conducted any factoring business with YCIH.

### *5. Basis of Determination of the Proposed Annual Caps*

In arriving at the proposed annual caps for the provision of various financial services (other than letters of guarantee services) by YCIH to the Group during the term of the 2026-2028 Financial Services Framework Agreement, the Directors considered the following:

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## LETTER FROM THE BOARD

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- (i) deposit services: as operating performance declined, the Group's maximum daily deposit balance (including interest accrued thereon) with YCIH Financial Company reached its lowest point in 2024, amounting to RMB64.78 million, corresponding to an annual cap utilisation rate of 32%. The Company anticipates that as operating performance improves and the Group intensifies efforts to collect receivables from YCIH and its associates, this amount will increase during the period from 2026 to 2028 (projected to be approximately RMB140 million). On this basis, to ensure a certain buffer space for future annual caps and to maximize their actual utilization rate, the annual caps at an annual cap utilisation rate of approximately 70% are proposed;
- (ii) bills acceptance and discount: in recent years, the highest amount of bills acceptance and discount services provided by YCIH Financial Company to the Group was RMB111.50 million in 2023, corresponding to an annual cap utilisation rate of 29%. In the most recent full fiscal year (i.e., 2024), the total amount of bills acceptance by the Group (including bills acceptance through YCIH Financial Company) amounted to RMB366 million. The Company expects that as the Group's performance improves and it intensifies efforts to collect receivables from YCIH and its associates, considering the increased use of financial products (including bills) for settlement and payment in upstream and downstream transactions, and the fact that the average cost of conducting bills acceptance and discount at YCIH Financial Company is slightly lower than that of banks and other financial institutions, the Company anticipates conducting bills acceptance and discount services of larger amounts with YCIH Financial Company during the period from 2026 to 2028 (projected to be approximately RMB210 million). On this basis, to ensure a certain buffer space for future annual caps and to maximize their actual utilization rate, the annual caps at an annual cap utilisation rate of approximately 70% are proposed; and
- (iii) factoring services: although the Group has not previously engaged in factoring business with YCIH, the amount of settlements and payments conducted through factoring services for upstream and downstream transactions has increased in recent years. During the eleven months ended November 30, 2025, the amount incurred reached RMB84 million. As the Group intensifies efforts to collect accounts receivable from YCIH and its associates, and considering the increased use of financial products (including factoring products) for settlement and payment in upstream and downstream transactions, the Company expects to add new factoring business with YCIH during the period from 2026 to 2028. Accordingly, the annual caps are proposed in accordance with the principle of prudence.

### ***6. Internal Control and Corporate Governance Measures***

The Company has adopted the following measures with respect to the transactions contemplated under the 2026-2028 Financial Services Framework Agreement in order to further safeguard the interests of the Shareholders:

#### ***A. Independent Shareholders' approval***

The Independent Shareholders have the right to ensure that the terms of the deposit services, the bills acceptance and discount services and factoring services under the 2026-2028 Financial Services Framework Agreement (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the interests of the Company and the Shareholders as a whole. Appropriate disclosure of the

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## LETTER FROM THE BOARD

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historical and ongoing transactions between the Group and YCIH Financial Company which will continue under the 2026-2028 Financial Services Framework Agreement will be made in the circular so as to enable the Independent Shareholders to make informed decisions.

### *B. Independent financial system*

The Company has established a financial management center, which operates without influence from YCIH. The Company has adopted a financial management system to guide and monitor its financial activities. The Group also maintains accounts with external independent banks, and does not share any bank accounts with YCIH. YCIH cannot control the use of any of the Group's bank accounts. The Company has an independent tax registration and has paid tax independently pursuant to applicable PRC laws and regulations.

### *C. Internal control and risk management measures*

- (i) The Company has formulated comprehensive financial and fund management rules and regulations to safeguard against fund risks, strengthen its internal financial management and regulate financing activities. The Company has set up an integrated financial management system on planning, budgeting and assessment. The Board is the responsible body in this respect. The Company will adhere to the principles of financing at the Group level, and will make decisions after taking into account the proper scale, the reasonableness of structure and the balance between costs and risks. In addition, the Company's enterprise management department and financial management center will be responsible for monitoring continuously such ongoing continuing connected transactions under the 2026-2028 Financial Services Framework Agreement and will submit matters to the Board for consideration as appropriate.
- (ii) YCIH and/or its associates shall notify the Company, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If the Company considers that there is any material adverse change in the financial condition of YCIH and/or its associates, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect its financial position.
- (iii) The independent non-executive Directors will independently scrutinize the implementation and enforcement of the transactions conducted under the 2026-2028 Financial Services Framework Agreement. If a majority of the independent non-executive Directors reasonably consider that it would be in the Company's interests to reduce the level of the financial services with YCIH and/or its associates, the Company will take appropriate steps to implement the decision of the independent non-executive Directors. Information on the transactions conducted under the 2026-2028 Financial Services Framework Agreement and the views of the independent non-executive Directors on the transactions conducted under the 2026-2028 Financial Services Framework Agreement will be disclosed in the annual reports of the Company.
- (iv) During its annual audit, the Company will engage its auditors to review the connected transactions between the Group and YCIH and/or its associates to ensure that the transactions conducted under the 2026-2028 Financial Services Framework Agreement have been approved by the Board and conducted in material aspects in accordance with the pricing policies, the terms of such agreement and the proposed annual caps thereunder.

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## LETTER FROM THE BOARD

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

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

### ***7. Reasons for and Benefits of Entering into the 2026-2028 Financial Services Framework Agreement***

The Directors are of the view that the transactions under the 2026-2028 Financial Services Framework Agreement are beneficial to the Group for the following reasons:

- (i) through the Company's previous cooperation with YCIH (primarily via its subsidiaries, YCIH Financial Company and YCIH Factoring Company), the Company believes that it understands the Company's characteristics, capital structure, business operations, financing needs, cash flow patterns and entire financial management system. YCIH provides services to the Group on equal or better commercial terms compared to those offered by major domestic commercial banks in the PRC. In addition, as it is a major clearing and settlement platform of YCIH and its associates, the Company believes that it could reduce costs and maximize efficiency by using the services from YCIH (according to historical records of business cooperation, the Group has not been charged any fees for deposits and subsequent fund disbursements. Furthermore, YCIH Financial Company is generally able to provide services that are faster than and superior to those offered by financial institutions such as banks, particularly in instances where the Group requires urgent services);
- (ii) during the term of the 2026-2028 Financial Services Framework Agreement, YCIH will provide the relevant financial services contemplated thereunder on terms no less favorable than those provided by major domestic commercial banks in the PRC with respect to the same type of financial services; and
- (iii) the Group is not prohibited or restricted in any way to use financial services provided by other commercial banks or independent financial institutions in the open market, and the Company retains discretion to make its selection according to its own business needs as well as the terms and quality of such services. The Group may (but is not obliged to) utilize the financial services provided by YCIH so as to deploy and manage its financial resources flexibly and efficiently.

The Directors (including independent non-executive Directors but excluding the connected Director as described below, namely Ms. Yang Jia) are of the view that the terms of the 2026-2028 Financial Services Framework Agreement and the transactions contemplated thereunder (including the proposed annual caps therefor) are fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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Ms. Yang Jia, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the 2026-2028 Financial Services Framework Agreement. Save as disclosed above, no other Directors has a material interest in the 2026-2028 Financial Services Framework Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution in relation to the 2026-2028 Financial Services Framework Agreement.

### ***8. Board's Assessment of Risks Associated with the Deposit Services***

As at the Latest Practicable Date, YCIH is a 100% state-owned enterprise supervised and managed by Yunnan SASAC. According to the “2025 Follow-up Credit Rating Report on Yunnan Construction and Investment Holding Group Co., Ltd.” (《雲南省建設投資控股集團有限公司2025年跟蹤評級報告》) issued by China Lianhe Credit Rating Co., Ltd. (聯合資信評估股份有限公司), YCIH's long-term credit rating is AAA, with a stable outlook, consistent with the results of the 2024 follow-up credit rating report. Furthermore, since the Company's listing in 2019, based on historical business cooperation records, the deposit services provided by YCIH Financial Company have consistently met the Group's business needs, with no defaults occurring.

The dedicated team of the Company's financial management center, as mentioned above, is also responsible for maintaining regular communication with the finance departments of YCIH, YCIH Financial Company, and YCIH Factoring Company to ensure timely awareness of their latest financial positions. Furthermore, the team comprehensively assesses their financial position through publicly available online information and by reviewing their audited financial statements. Additionally, during the audit of the Company's annual financial statements, the independent third-party auditors also evaluate the credit risk of YCIH.

Therefore, following the execution of the 2026-2028 Financial Services Framework Agreement, the Board is of the view that, in respect of deposit services, depositing funds with YCIH does not expose the Company to higher credit risks compared to placing deposits with other licensed financial institutions or banks. Additionally, the default risk of YCIH and/or YCIH Financial Company would not be significantly increased.

### ***9. Information on the Parties***

- (i) The Company and the Group: the Company is a joint stock company incorporated in the PRC with limited liability, whose H shares are listed on the Main Board of the Stock Exchange (Stock Code: 1847). The Group is primarily engaged in the R&D, production, and sales of ready-mixed commercial concrete, along with upstream and downstream building materials such as cement, aggregates, admixtures, and prefabricated components in the PRC.
- (ii) YCIH: a company incorporated in the PRC with limited liability, as at the Latest Practicable Date, it is held as to 97.35% by the Yunnan SASAC and as to 2.65% by the Yunnan Provincial Department of Finance (雲南省財政廳) respectively and operates under the supervision and regulation of the Yunnan SASAC. As at the Latest Practicable Date, YCIH directly and indirectly holds 62.75% equity interest of the Company and is the controlling Shareholder of the Company. The details of YCIH Financial Company and YCIH Factoring Company, YCIH's subsidiaries, are as follows:

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## LETTER FROM THE BOARD

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- (a) YCIH Financial Company: established on December 28, 2015, it is a licensed financial institution approved by the NFRA and operates under the supervision of the NFRA and the business guidance of the PBOC. The registered capital of YCIH Financial Company is RMB3 billion. It primarily engages in the following businesses: accepting deposits from members of it; providing loans to, conducting bill business with and settling funds and making payments to members of it; provision of counterpart loans and making investments in fixed income and marketable securities. According to the audited financial statements of YCIH Financial Company, as of December 31, 2024, its total assets amounted to RMB11.2 billion, net assets amounted to RMB3.6 billion, operating income for 2024 was RMB367 million, and net profit was RMB184 million.
- (b) YCIH Factoring Company: established on 26 October 2023, it is a non-bank legal entity approved by local financial regulatory authorities and supervised by the local financial administration bureau. YCIH Factoring Company has a registered capital of RMB500 million and engages in commercial factoring business. According to the audited financial statements of YCIH Factoring Company, as of December 31, 2024, the total assets of YCIH Factoring Company amounted to RMB218 million and net assets amounted to RMB213 million, operating income for 2024 was RMB21 million, and net profit amounted to RMB11 million.

YCIH and its subsidiaries (including the Group) are primarily engaged in three major businesses including, among others, construction engineering, infrastructure investment and modern logistics in the PRC and internationally.

### ***10. Listing Rules Implications***

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

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

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

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

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## LETTER FROM THE BOARD

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In respect of factoring services, as the highest applicable percentage ratio exceeds 5% and HK\$10 million, such transactions constitute non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement, annual review, circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

In respect of other financial services (including but not limited to assistance in fund receipt and payment and other business approved by the NFRA), the highest applicable percentage ratio ranges between 0.1% and 5% on an annual basis and exceeds HK\$3 million, such transactions constitute non-exempt continuing connected transactions of the Company and are therefore subject to the reporting, announcement and annual review requirements, but are exempt from the circular (including independent financial advice) and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

The Board warrants that, prior to the Independent Shareholders' approval of the 2026-2028 Financial Services Framework Agreement, connected transactions between the Group, YCIH and its associates in respect of financial services shall not exceed the exemption threshold specified in Rule 14A.76(2) of the Listing Rules.

## **(II) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND PROPERTY LEASING FRAMEWORK AGREEMENT**

### ***1. Background***

References are made to the announcement of the Company dated November 29, 2024, in relation to the existing continuing connected transactions under the 2025-2027 Land and Property Leasing Framework Agreement.

According to the requirements of the Anning Phosphogypsum Comprehensive Utilization Project as set out on page 29 of this circular, on November 17, 2025, the Leasing Contract was entered into between Phosphogypsum Company, a subsidiary of the Company, and Building Materials Technology Company, a subsidiary of YCIH, to lease its land and property located in Anning City, Yunnan Province for office, production and living purposes. Since such leases caused the 2025 annual cap under the 2025-2027 Land and Property Leasing Framework Agreement to exceed the existing annual cap, it is necessary to amend the 2025 annual cap under the 2025-2027 Land and Property Leasing Framework Agreement (other terms will remain unchanged).

### ***2. Details of the Leasing Contract***

#### ***A. Parties***

- (i) Building Materials Technology Company (the lessor); and
- (ii) Phosphogypsum Company (the lessee).

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## LETTER FROM THE BOARD

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Among them: Building Materials Technology Company, a limited liability company incorporated in the PRC, is primarily engaged in the research and development, production and sales of building aluminium alloy formwork, climbing formwork, aluminium alloy doors and windows and other products. It is a subsidiary of YCIH (which is directly and indirectly held as to 100% equity interest by YCIH), whose ultimate actual controller is Yunnan SASAC.

Phosphogypsum Company, a limited liability company incorporated in the PRC, is primarily engaged in research and development, manufacturing, sales, and construction of Phosphogypsum and solid waste-based new building materials products. It is a subsidiary of the Company and is jointly established by YCIH, the Company and Infrastructure Investment Company for the purpose of investment, financing, construction and operation of the Anning Phosphogypsum Comprehensive Utilization Project.

*B. Date of execution and lease term*

The Leasing Contract was executed on November 17, 2025, with a tentative lease term of one year, effective from August 1, 2025 to July 31, 2026. Upon expiration of the lease term, Phosphogypsum Company has the first right to renew the lease.

Since Phosphogypsum Company originally intended to achieve reasonable utilization of assets through asset acquisition, no leasing contract was signed prior to the finalized lease commencement date (August 1, 2025). The production of Phosphogypsum artificial stone is an innovation pioneered in China. The Phosphogypsum production line and equipment require customization and/or layout based on site conditions to ensure the feasibility and specifications for configuring testing and production equipment facilities in specific factories align with production capacity planning. This process will subsequently establish the precise requirements for land and buildings.

However, in accordance with the requirement that the Anning Phosphogypsum Comprehensive Utilization Project must be completed and put into operation within 2025, as the project investment entity, the Building Materials Technology Company vacated certain factory and warehouse to facilitate an assessment for the adaptive renovation by the Phosphogypsum Company by the end of July 2025. Due to a lack of knowledge regarding notifiable transactions and connected transactions under the Listing Rules, the general manager of Phosphogypsum Company approved the use of Building Materials Technology Company's assets (without submitting to Phosphogypsum Company's board for approval) without realising that it constituted a connected transaction and that it might form part of a continuing connected transaction, and without entering into any written agreement. Phosphogypsum Company actually commenced using the assets on August 1, 2025 to conduct an assessment for the adaptive renovation.

After over a month of assessment, the Phosphogypsum Company finalized a feasible renovation plan capable of achieving Phase I Project's planned production capacity, thereby determining specific land and building requirements. However, Building Materials Technology Company notified Phosphogypsum Company in a letter dated September 14, 2025, that the ownership certificates for the land and buildings in Anning plant cannot be sold separately, and required execution of a leasing contract as soon as possible. Considering that the construction for Phase I Project was relatively limited, the Phosphogypsum Company's general manager's office meeting preliminarily determined to adopt leasing as the method for the asset use on September 15, 2025.

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On this basis, the Phosphogypsum Company promptly proceeded with market research and rental negotiations with the Building Materials Technology Company. Due to Phosphogypsum Company's limited staff (established on July 18, 2025), conducting market research and rental negotiations required substantial time. It was not until November 13, 2025, that Phosphogypsum Company's board considered and approved the lease and submitted the relevant resolutions to the Board, without realising that it formed part of a continuing connected transaction and that it might cause 2025 annual cap to be exceeded. Considering that the actual commencement of asset use was on August 1, 2025, together with the claim made by the Building Materials Technology Company, the parties agreed that the lease term should commence retroactively from August 1, 2025. On November 17, 2025, after consideration, the Board was of the view that this lease would cause the existing 2025 annual cap under 2025-2027 Land and Property Leasing Framework Agreement to be exceeded and the proposed new 2025 annual cap to reach the major transaction threshold. Therefore, it required the Leasing Contract to include effectiveness conditions "to be approved by the general meeting of the Company". Following the Board meeting, Phosphogypsum Company and Building Materials Technology Company executed the Leasing Contract with effectiveness conditions on the same day. The Company issued a relevant announcement on November 18, 2025.

### *C. Lease property and purposes*

The lease properties are located at No. 1 Longshu Road, Caopu Street, Anning City, Kunming, Yunnan Province, including land and buildings. The specific lease properties include an office building (3,459.51 square meters), the third floor of a dormitory building (966.05 square meters), a factory building (39,663.39 square meters) and a hardened surrounding areas of the factory building (20,512.00 square meters). The total leased area is 64,600.95 square meters. The lease properties will be used for offices, accommodation, as well as goods storage, production and circulation of building materials and other related purposes.

### *D. Rental and Arrangements for Its Accounting and Payment Arrangements*

The rental under the Leasing Contract (tax inclusive) is RMB9.87 million <sup>Note 1</sup> (it's the annual rental, with reference to the 2025-2027 Land and Property Leasing Framework Agreement and determined after thorough negotiation between the Parties) and the amount recognized as the right-of-use asset is RMB25.32 million <sup>Note 2</sup>. Within 60 days of the Leasing Contract becoming effective, Phosphogypsum Company shall pay half of the rental. The remaining rental shall be paid in full by August 1, 2026, and Building Materials Technology Company must issue the corresponding invoices. The payment methods include wire transfer, transfer check, acceptance bill, and supply chain financial products.

*Note 1:* The above rental is calculated based on the rental area multiplied by the rental unit price. Among them, the combined area of factory buildings, warehouses, dormitories, and office buildings is 44,088.95 square meters, with a uniform average market rental unit price of approximately RMB17.5/square meter/month; the area of the hardened surrounding areas of the factory buildings is 20,512 square meters, and its average market rental unit price is approximately RMB2.5/square meter/month. For details of market leasing, please refer to "3. Board's Considerations for Determining the Terms of the Leasing Contract".

*Note 2:* Although the Leasing Contract stipulates that the lease term is only one year, according to the plan of the Anning Phosphogypsum Comprehensive Utilization Project, the actual lease term will exceed one year. For the Leasing Contract determined based on the needs of Phase I Project and considering that the lease properties and lease amount in Phase II Project may change, in the initial lease accounting, the Company shall calculate based on the

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## LETTER FROM THE BOARD

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lease term of 3 years. On this basis, the amount of right-of-use assets under the Leasing Contract was calculated, based on the annual rental of RMB9.87 million and the rental payment arrangements in the Leasing Contract with the Group's 2024 incremental borrowing rate (4.19%) as the discount rate.

Moreover, based on the current status of the Anning Phosphogypsum Comprehensive Utilization Project, the board of directors of the Phosphogypsum Company will propose a plan for either renewing the lease or purchasing the relevant assets at least 3 months prior to the expiration of the current lease. For details, please refer to "Date of execution and lease term" on page 18-19 of this circular.

### *E. Effectiveness conditions*

The Leasing Contract shall become effective upon the date of approval by the general meeting of the Company, provided that the legal representatives or authorized agents of all Parties have affixed their signatures and official seals or contract seals on the contract <sup>Note</sup>.

*Note:* Although the effectiveness conditions have not been satisfied, a de facto lease relationship between the contracting parties has been established as at August 1, 2025 (please refer to "5. The Existing Annual Cap, Actual Transaction Amount and Proposed New Annual Cap" for details). In accordance with PRC law and based on the advice of our PRC legal adviser, the Leasing Contract is deemed to have taken effect from August 1, 2025.

### *F. Regarding Whether Comply with Rule 14A.34 and Rule 14A.54(1) of the Listing Rules in a Timely Manner*

Based on the relevant circumstances of the Leasing Contract as set out on pages 17-20 of this circular, as the Phosphogypsum Company had not entered into any leasing contract prior to the connected transaction, the Board is of the view that the connected transaction under the Leasing Contract did not comply with the requirements of Rule 14A.34 of the Listing Rules in a timely manner. Additionally, since the actual transaction amount under the Land and Property Leasing Framework Agreement has exceeded the existing 2025 annual cap due to the Leasing Contract, the Board is of the view that the Company did not comply with the requirements of Rule 14A.54(1) of the Listing Rules in a timely manner.

Details regarding the timely compliance with Rule 14A.34 and Rule 14A.54(1) of the Listing Rules are set out under the heading "8. Remedial Measures and Internal Control" on page 26-28 of this circular.

### **3. Board's Considerations for Determining the Terms of the Leasing Contract**

In respect of the Leasing Contract, the Board has assessed the following factors:

- a. investment and operation management entity of the Project. The Anning Phosphogypsum Comprehensive Utilization Project designates Building Materials Technology Company as the investment entity (the assets to be invested in the project include its existing factory buildings and land in the Anning Caopu area), with Phosphogypsum Company serving as the operation and management entity. The existing factory buildings and land of Building Materials Technology Company are located in the Anning Caopu area, which is relatively rich in Phosphogypsum resources and has relatively well-developed infrastructure. Leasing part of its factory buildings, office spaces, and residential facilities not only facilitates the organization of product production by Phosphogypsum Company but also contributes to the rational utilization of stock assets. Furthermore, compared to purchasing new land for construction or

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## LETTER FROM THE BOARD

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leasing land and factory buildings that do not meet the requirements from other entities, leasing from Building Materials Technology Company helps accelerate implementation of the Project. Therefore, the parties to the Leasing Contract have been determined.

- b. capacity planning, requirements, and planned commissioning time of Phase I Project. The Anning Phosphogypsum Comprehensive Utilization Project is scheduled to be put into operation within 2025. To ensure the steady advancement of the project, the Company adopts a phased construction approach. The planned capacity of Phase I includes the daily production of 5,000 tons of road base water-stabilized materials, cement retarders, and detoxified modified ecological restoration materials, as well as 500 tons of Phosphogypsum artificial stone aggregates and concrete. Accordingly, preliminary leasing requirements and the lease term have been determined to enable the commissioning of the Phase I as soon as possible (tentatively set at one year, with subsequent adjustments to leasing needs and rental arrangements to be further determined based on circumstances);
- c. rental conditions in the vicinity of the project site. In consideration of the distribution of raw materials for the Project, the requirement that Phosphogypsum shall not be transported across administrative districts and the anticipated production line's need for sufficient factory floor height, the Board determined the criteria for selecting comparable samples to reduce transportation costs and expedite the installation of production lines. The criteria are as follows: (1) located within the Anning Industrial Park and within 25 kilometers of Phosphogypsum-generating enterprises or Phosphogypsum residue depot; (2) in an idle state with factory buildings having a floor height of over 10 meters, allowing renovations to the factory buildings; (3) the land type is industrial land; the property types include factory buildings, office buildings, and dormitories; and (4) except for factory buildings, the conditions of the office buildings and dormitories should preferably be in a renovated state, or in a rough condition (requiring only minor renovations before being put into use). There are five samples meeting the above criteria (see table below for details). According to the research, the average market rental unit price for factory buildings, warehouses, dormitories, and office buildings is approximately RMB17.5 per square meter per month, while the average market rental unit price for hardened open space is approximately RMB2.5 per square meter per month. Therefore, the rental price shall be set in line with the above mentioned prevailing market price.

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	Factory buildings	Newly constructed	Factory buildings	Factory buildings	Factory buildings
Aning Plant of Building Materials Technology Company	adjacent to Dongshan Ming'an Road, Caopu Subdistrict, Anning	steel factory buildings in Dongshan, Caopu Subdistrict, Anning	in Nan Hua Chemical Industry Park	of Yunnan Chuanghui Pipe Industry Company	of Anning Xinmin Building Materials Company
Land and property type	Land: Industrial land; Properties include factory buildings, office buildings, and dormitories	Land: Industrial land; Properties include factory buildings, office buildings, and dormitories	Land: Industrial land; Properties include office buildings, and dormitories	Land: Industrial land; Properties include factory buildings, office buildings, and dormitories	Land: Industrial land; Properties include factory buildings, office buildings, and dormitories
Property conditions	Office buildings and dormitories have been renovated	Office buildings and dormitories have been renovated	Office buildings and dormitories are in rough condition and require self-renovation	Office buildings and dormitories are in rough condition and require self-renovation	Office buildings and dormitories have been renovated
Location	Anning Industrial Park	Anning Industrial Park	Anning Industrial Park	Anning Industrial Park	Anning Industrial Park
Distance from Phosphogypsum-generating enterprises or Phosphogypsum residue depot	3.3 kilometers	5.9 kilometers	5.9 kilometers	1 kilometer	7.2 kilometers
Currently idle	Yes	Yes	Yes	Yes	Yes
Factory floor height	15 meters	13 meters	16 meters	12.3 meters	11 meters
Renovation permitted	Yes.	Yes.	Yes.	Yes.	Yes.
	Renovations permitted as needed	Only simple equipment installation	Only simple equipment installation and small-scale partial foundation renovations	Only simple equipment installation	Only simple equipment installation
		permitted; only partial foundation renovations	permitted; only partial foundation renovations	permitted; only partial foundation renovations	permitted; only partial foundation renovations
		permitted within the factory building	permitted within the factory building	permitted within the factory building	permitted within the factory building

After evaluation, the Board is of the view that the terms of the Leasing Contract are fair and reasonable and will facilitate the early construction of the project, accelerate the conversion of preliminary investment into economic benefits, promote effective utilization of industrial solid wastes (mainly Phosphogypsum), help deeply integrate into resource circular economy of industrial solid waste so that these terms are in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### **4. Details of the 2025-2027 Land and Property Leasing Framework Agreement**

#### *A. Overall Arrangement*

The lessor (YCIH and its associates) agrees to lease to the lessee (the Company and its subsidiaries) the properties of which the lessor has the lawful ownership and land of which the lessor has land use rights, effective from January 1, 2025, and valid until December 31, 2027. The relevant parties will enter into individual written 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 2025-2027 Land and Property Leasing Framework Agreement in all material aspects.

#### *B. Rental and Related Fees*

- ① the rentals of the land and properties leased by the lessor to the lessee shall be negotiated on an arm's length basis, and be determined with reference to the leasing contracts (if any) that have been or are being performed by the parties, the market rentals of similar land and properties in the neighboring areas of the relevant land and properties (the lessee will inquire about and compare the prices of no less than three land and property units for lease in the neighboring areas of the land and properties to be leased), to ensure that the rentals are maintained at a fair and reasonable level, while the rentals per unit area shall not be higher than the prices for the leases of land and properties in the same area by the lessor to independent third parties. Both parties shall review and adjust (if applicable) the rentals upon the renewal of the leasing agreements with reference to the prevailing market conditions, including factors such as the geographical location, the standard of construction and the surrounding areas.
- ② all the utility bills of the leased properties shall be borne by the lessee, whereas the lessor shall calculate the amount of utility bills to be allocated on a monthly basis, and upon the confirmation in writing by the lessee, the lessor collects it on behalf of the lessee and finally makes payments to the utility bureaus.
- ③ the costs of maintenance and repair of the leased land and properties shall be borne by the lessee during the term of the lease.

The payment arrangements for leasing land and properties from YCIH and its associates is expected to follow a "pay first, use later" principle, with annual rental payments.

#### *C. Internal Control Measures*

Details regarding the internal control measures are set out under the heading "8. Remedial Measures and Internal Control" on page 26-28 of this circular.

### **5. The Existing Annual Cap, Actual Transaction Amount and Proposed New Annual Cap**

#### *A. Overall Situation*

The existing 2025 annual cap calculated based on right-of-use assets under the 2025-2027 Land and Property Leasing Framework Agreement, the actual transaction amount for the nine months ended September 30, 2025, and the proposed new annual cap are as follows:

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## LETTER FROM THE BOARD

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Unit: RMB million

	Actual transaction amount for nine months ended September 30, 2025		Proposed new 2025 annual cap	2026 annual cap	2027 annual cap
Existing 2025 annual cap	8.00	5.43	37.25	4.00 <i>Note</i>	8.00
Land and properties lease from YCIH and its associates					

*Note:* As the Company has recognized the recorded amount of right-of-use assets in 2025 based on a three-year lease term and an annual rental of RMB9.87 million. If the Leasing Contract is renewed after it expires in 2026 and there's no significant difference in amount, it is expected that the actual transaction amount in 2026 will not exceed the annual cap.

### *B. The Latest Actual Transaction Amount of the Existing Annual Cap and the Reasons Thereof*

As at the Latest Practicable Date, the actual transaction amount of RMB30.75 million (5.43+25.32) under the 2025-2027 Land and Property Leasing Framework Agreement has exceeded the existing annual cap on November 17, 2025 (the execution date of Leasing Contract). The primary reason for this situation is the occurrence of the leasing transaction corresponding to the aforementioned Leasing Contract (related to the Group's Anning Phosphogypsum Comprehensive Utilization Project), specifically:

- (i) when determining the existing annual cap at the end of 2024, the Anning Phosphogypsum Comprehensive Utilisation Project had not yet been established (the project was approved by the Board in February 2025 and received project approval from the Yunnan Provincial Development and Reform Commission in March 2025). Therefore, the Company was unable to anticipate subsequent leasing transactions associated with the project, resulting in the existing annual cap not incorporating this transaction.
- (ii) in July 2025, upon approval by the general meeting, the Company invested in establishing Phosphogypsum Company to undertake the Anning Phosphogypsum Comprehensive Utilization Project. As the Project's operation and management entity, Phosphogypsum Company fully drives the Project's implementation. Based on preliminary communications with Building Materials Technology Company, Phosphogypsum Company initially intended to purchase the land and factory buildings located in the Anning Caopu area from the other party and commenced feasibility studies for adaptive renovation of the site and equipment facilities in August 2025. However, compared to the total area of the land and buildings in the factory zone, which could not be partially sold, the Project's requirements were relatively small (especially considering only the needs of the Phase I Project construction). Consequently, the approach was changed to a leasing model to expedite the process of securing compliant usage for Phosphogypsum Company. Subsequently, repeated consultations were held among the parties regarding the leased assets, pricing, and other aspects. The Group concurrently conducted external market research on leasing alternatives and entered into Leasing Contract with effectiveness conditions (to be approved by the general meeting of the Company) in November 2025; and

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(iii) in accordance with the requirements of the PRC ASBE, as the commencement date of the lease under the Leasing Contract is the date when actual use began (i.e. August 1, 2025), and the Leasing Contract was executed on November 17, 2025, Phosphogypsum Company and the Company have recognized right-of-use assets based on the Leasing Contract. This leasing transaction is of a significant scale and exceeds the remaining available balance under the previously determined 2025 annual cap.

### ***6. Basis of Determination of the Proposed New Annual Cap***

In arriving at the proposed new 2025 annual cap for the land and properties leased from YCIH and its associates under the 2025-2027 Land and Property Leasing Framework Agreement, the Directors considered the following:

- (i) the historical transaction amount (RMB5.43 million) for the nine months ended September 30, 2025;
- (ii) the amount of right-of-use assets (RMB25.32 million) initially calculated according to the aforementioned Leasing Contract; and
- (iii) the estimated increased amount in right-of-use assets (RMB6.50 million) attributable to other lease transactions under negotiations, etc.

Therefore, the Board recommends the new annual cap of RMB 37.25 million (5.43 + 25.32 + 6.50).

### ***7. Reasons for and Benefits of the Revision of the 2025 Annual Cap under the Land and Property Leasing Framework Agreement***

The Directors are of the view that the revision of the existing 2025 annual cap under the Land and Property Leasing Framework Agreement is necessitated by the Group's actual business needs, is beneficial to the Group in ensuring the compliance of the Anning Phosphogypsum Comprehensive Utilization Project, and will further promote the effective utilization of industrial solid wastes (mainly phosphogypsum), as well as deep integration into resource circular economy of industrial solid waste.

The Directors (including independent non-executive Directors but excluding the connected Director as described below, namely Ms. Yang Jia) are of the view that the revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement (including the proposed new 2025 annual cap therefor) is fair and reasonable, on normal commercial terms and in the ordinary and usual course of business of the Group, and in the interests of the Company and the Shareholders as a whole.

Ms. Yang Jia, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement. Save as disclosed above, no other Directors has a material interest in relation to the revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement or is required to abstain from voting on the Board resolution in relation to the revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement.

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## LETTER FROM THE BOARD

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### ***8. Remedial Measures and Internal Control***

Regarding the Company's failure to timely comply with Rule 14A.34 and Rule 14A.54(1) of the Listing Rules, the Company's remedial measures and internal control measures are as follows:

- A. after review and approval by the Board, the Leasing Contract between Phosphogypsum Company and Building Materials Technology Company was executed on November 17, 2025. The Company issued an announcement (including, among other matters) concerning the transactions under the Leasing Contract on November 18, 2025, and will hold an EGM to consider and approve (including, among other matters) the transactions under the Leasing Contract.
- B. in light of the Leasing Contract and relevant circumstances, the Board proposed on November 17, 2025, to adjust the existing 2025 annual cap under the Land and Property Leasing Framework Agreement from RMB8.00 million to RMB37.25 million. The Company issued an announcement (including, among other matters) concerning the proposed adjustment of the existing 2025 annual cap for the continuing connected transactions under the Land and Property Leasing Framework Agreement on November 18, 2025, and will hold an EGM to consider and approve (including, among other matters) the proposed new 2025 annual cap.
- C. to improve the awareness of and emphasis on compliance with the Listing Rules, the Board issued a warning letter to the senior management on December 2, 2025, outlining relevant requirements for their work. These include strengthening the study and implementation of the Listing Rules, enhancing the management of connected transactions and annual caps, improving the forecasting of major projects such as the Phosphogypsum Comprehensive Utilization Project, and strengthening the pre-transaction management of leasing businesses conducted by subsidiaries.
- D. the Company appointed Zhong Lun Law Firm LLP as a Hong Kong legal adviser to conduct a specialized training session on connected transactions and notifiable transactions for the Board, senior management, heads of management department and subsidiaries on January 14, 2026, which focused on explaining the compliance rules system for Hong Kong listed companies and relevant regulatory bodies, fundamental knowledge and compliance obligations of connected transactions and notifiable transactions (including but not limited to, the listed issuer's group must enter into a written agreement for a connected transaction, and the listed issuer must re-comply with the announcement and shareholders' approval requirements before the annual cap is exceeded), regulatory focus, and consequences of non-compliance and so on.
- E. the Company's management will enhance the study and implementation of the Listing Rules and improve awareness of the Listing Rules and the importance of compliance with Listing Rules, with a focus on mastering the compliance obligations related to connected transactions and notifiable transactions, increasing sensitivity toward connected transactions, and ensuring that written agreements are established and all listed company compliance procedures are completed – including the timely issuance of announcements and obtaining necessary approvals from the Board and general meeting (if necessary) prior to the execution of any connected transactions.

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## LETTER FROM THE BOARD

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F. the Company will strengthen the Group's management of annual caps for continuing connected transactions: Firstly, the renewal process for annual caps will be initiated at least three months prior to their expiration. Proposed new annual caps must be thoroughly justified based on historical annual cap usage and forecasts of future business activities, supported by detailed quantitative analysis to ensure the amounts of proposed annual caps are appropriate. Secondly, the Group's existing quarterly tracking and analysis of actual transaction amounts will be shifted to a monthly basis, and the management will report the actual transaction amounts of continuing connected transactions to the Board on a quarterly basis. If actual transaction amounts reach or exceed 60% of the annual caps, the corporate management department will lead an evaluation on whether to adjust relevant annual caps, ensuring that announcements and Board's and general meeting's (if necessary) approval are completed before the annual caps are exceeded and the Group's full compliance with requirements concerning connected transactions, including Rule 14A.34 and Rule14A.54(1) of the Listing Rules. Thirdly, the breakdown of the annual caps should be made by departments such as the Company's corporate management department and the material supply chain center. They will decompose the ultimately approved annual caps, enabling subsidiaries to obtain annual caps for different categories of continuing connected transactions. If a subsidiary anticipates exceeding its assigned annual caps, it must promptly liaise with the Company's relevant management departments, thereby further reducing the risk of the Group exceeding the overall annual caps. Fourthly, when establishing new annual caps for continuing connected transactions, it is imperative to verify their necessity and the reasonableness of the proposed annual caps. Furthermore, compliance with the Listing Rules must be ensured for all related connected transactions before obtaining approval from the Board and general meetings (if necessary).

G. the Board will strengthen its guidance and oversight of management regarding notifiable transactions and connected transactions. Management shall provide the Board with proposed transaction arrangements prior to undertaking significant transactions (including the notifiable transactions and connected transactions). The secretary of the Board will coordinate with professional intermediaries, such as Hong Kong legal advisers, to provide opinions and recommendations on the listing compliance involved in these proposed transaction arrangements. Additionally, the Company will organize more training sessions on the Listing Rules for its management departments and operational units (including subsidiaries) to continuously enhance their compliance awareness and capabilities. This enables them to preliminarily determine whether a transaction constitutes a notifiable transaction and/or a connected transaction, or even if the category is not immediately determined, to recognize the transaction probably needs to comply with certain Listing Rules, and promptly communicate with the board office, the secretary of the Board, etc. The Company's corporate management department, as the lead department for contract management, will also optimize the contract review process and strengthen the review of whether contracts involve connected transactions. If a contract constitutes a connected transaction, it will further assess whether it is a continuing connected transaction or is a one-off connected transaction, and whether it constitutes as a notifiable transaction. For non-connected transactions, the department will enhance the review of contract content to determine whether it constitutes notifiable transaction.

H. the Company will undertake advance planning for construction of projects, particularly large-scale ones, to improve forecasting of future business, especially major projects and make timely and comprehensive consultations with Hong Kong legal advisers and/or regulatory authorities to ensure the compliant execution of major projects.

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## LETTER FROM THE BOARD

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I. the Company will enhance the management of connected transactions (including, but not limited to, leasing businesses) and notifiable transactions within the Group, especially concerning subsidiaries, and conduct training at least once every six months. It is stipulated that connected transactions with significant amounts and notifiable transactions of subsidiaries must be reported to the Board and general meeting (if necessary) for approval after preliminary decision-making and before the actual commencement of business activities. At the same time, the subsidiaries will enhance their study of the Listing Rules, particularly in the area of connected transactions. It is essential to fully understand the nature and compliance requirements of connected transactions and to effectively manage them within the allocated annual caps. Furthermore, by strengthening training and daily monitoring of subsidiaries, as well as specifying penalty measures in the Group’s “Connected Transactions Management Measures” for conducting connected transactions without prior written agreements, it will be ensured that all connected transactions are supported by written agreements before they are carried out.

J. in the course of its daily operational management, the Group will determine the payment arrangements for each leasing transaction with the lessor after negotiations, adhering to the principle of maximizing the overall interests of the Company and its Shareholders. The Company’s general management office and infrastructure department are respectively responsible for the daily management of specific leasing businesses in accordance with the Group’s “Connected Transactions Management Measures”. The enterprise management department will also compile and monitor the actual transaction amounts on a monthly basis to ensure they remain within the annual caps.

As at the Latest Practicable Date, all the above measures have been adopted and are in progress of implementation.

Taking into account of the remedial measures that the Company has taken, the internal control measures to be taken, and the good records maintained by the Company in the management of continuing connected transactions since its listing in 2019, the Board is of view that the Company is able to ensure written agreements are entered into before having any connected transactions and prevent effectively the instances where actual transaction amounts of continuing connected transactions exceed the annual caps in the future.

### ***9. Listing Rules Implications***

As at the Latest Practicable Date, the Company’s controlling shareholder – YCIH directly and indirectly holds 100% equity interest in the Building Materials Technology Company. According to Rule 14A.07(1) of the Listing Rules, the Building Materials Technology Company is a connected person of the Company. In addition, the Phosphogypsum Company is a subsidiary of the Company. Therefore, the transaction contemplated under the Leasing Contract is a connected transaction under the 2025-2027 Land and Property Leasing Framework Agreement.

Since the highest applicable percentage ratio of proposed new 2025 annual cap under the 2025-2027 Land and Property Leasing Framework Agreement exceeds 5% and HK\$10 million, the transactions under proposed new 2025 annual cap constitutes non-exempt continuing connected transaction of the Company and are subject to the reporting, announcement, annual review, circular (including independent financial advice), and Independent Shareholders’ approval requirements under Chapter 14A of the Listing Rules.

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## LETTER FROM THE BOARD

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### (III) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF GUARANTEE

#### 1. *Background*

##### (i) *Anning Phosphogypsum Comprehensive Utilization Project*

In order to implement Xi Jinping thought on ecological civilization and the spirit of the speech of General Secretary Xi Jinping at the forum on further promoting the high-quality development of the Yangtze River Economic Belt, to implement the “Opinions on Accelerating the Construction of a Waste Recycling System” (《關於加快構建廢棄物循環利用體系的意見》) by the General Office of the State Council, the “Notice on Issuing the Action Plan for Comprehensive Utilization of Phosphogypsum” (《關於印發磷石膏綜合利用行動方案的通知》) by the Ministry of Industry and Information Technology (工業和信息化部) and other six departments, and to promote state-owned enterprises to take responsibility, the Company will coordinate the implementation of Anning Phosphogypsum Comprehensive Utilization Project.

In order to effectively utilise high-quality stock assets, reasonably control the scale of investment, and ensure that the Project will be put into operation within the year, the Anning Phosphogypsum Comprehensive Utilization Project adopts the layout principle of “proximity to raw materials, closeness to target market”. With Building Materials Technology Company as the investment entity, it will provide its land and existing factory facilities located in the Caopu area of the Anning Industrial Park, which will be put into production and operation after adaptive renovation to establish a full industrial chain demonstration base for comprehensive utilization of Phosphogypsum. Meanwhile, Phosphogypsum Company (incorporated on July 18, 2025), a project company jointly established by the Company, YCIH and Infrastructure Investment Company, with respective shares of 40%, 40% and 20%, which has been consolidated into the financial statements <sup>Note</sup> of the Company, is responsible for project management, including project construction management, equipment procurement management, product production management, product sales management, and daily production and operation management of the Project.

*Note:* Reasons are that: (1) the voting rights corresponding to the 40% equity interest of YCIH in the shareholders' meeting of Phosphogypsum Company have been irrevocably entrusted to the Company to exercise during the operating period of Phosphogypsum Company; (2) four directors on the board of directors of Phosphogypsum Company (a total of 5 directors) are recommended by the Company; and (3) all senior management are established by the Company.

##### (ii) *Borrowings relating to guarantees*

Due to the needs of project construction, on October 10, 2025, Building Materials Technology Company, as the investment entity of the Project (also the property owner of existing fixed assets), entered into a fixed asset loan agreement with Anning Rural Credit Cooperative Caopu Branch. Its principal terms are as follows:

Type of Loan: Fixed Asset Loan

Loan Amount: RMB84 million

Loan Term: 120 months, from October 11, 2025, to October 11, 2035

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## LETTER FROM THE BOARD

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Purpose of Loan:	For the construction of the Anning Green Building Materials Industrial Park Project with annual treatment of 1 million tons of Phosphogypsum + 1 million tons of industrial solid waste. The Borrower shall not change the use of the loan without the prior written consent of the Lender.
Loan Interest Rate:	Floating rate, set at the 5-year or above LPR on the day preceding the date of the Agreement plus 20 basis points. This interest rate shall be adjusted every 12 months from the date of disbursement of each loan tranche until the full repayment of the principal and interest of that tranche, based on the 5-year or above LPR on the day preceding the interest rate adjustment date plus 20 basis points
Default Interest Rate for Overdue Payments:	The loan interest rate plus an additional 50%
Default Interest Rate for Misuse of Funds:	The loan interest rate plus an additional 100%
Repayment:	Loan interest shall be settled and paid quarterly. Loan principal shall be repaid in accordance with the Installment Repayment Agreement agreed between the Borrower and the Lender at the time of the Borrower's application for drawdown

As at the Latest Practicable Date, the Building Materials Technology Company has actually drawn down a loan principal of RMB40.28 million.

### *(iii) Project Financing Scheme*

According to fixed asset loan agreement, Anning Rural Credit Cooperative Caopu Branch agreed to grant a loan with a total principal amount not exceeding RMB84 million to Building Materials Technology Company, subject to the terms and conditions contained in the fixed asset loan agreement. According to the written agreement between Building Materials Technology Company and Phosphogypsum Company, the account for receiving and using loans shall be jointly managed by both parties and supervised by Anning Rural Credit Cooperative Caopu Branch. YCIH, as the controlling shareholder of Building Materials Technology Company, provides a joint and several liability guarantee for the loan (the relevant guarantee agreement was executed on October 10, 2025). The borrower (Building Materials Technology Company) will, upon completion of the acceptance of the project's equipment and facilities, use these equipment and facilities as asset collateral to secure the loan. On this basis, Phosphogypsum Company, which is responsible for project management, also acts as a guarantor. On November 17, 2025, Phosphogypsum Company entered into a guarantee agreement ("Guarantee Agreement") with conditions for effectiveness with Anning Rural Credit Cooperative Caopu Branch to provide a joint and several liability guarantee for the relevant loan (identical to the guarantee liability assumed by YCIH).

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## LETTER FROM THE BOARD

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### ***2. Details of the Guarantee Agreement***

#### *A. Parties*

- (i) Lender: Anning Rural Credit Cooperative Caopu Branch; and
- (ii) Guarantor: Phosphogypsum Company

Among them, Anning Rural Credit Cooperative Caopu Branch is a branch established by Anning Rural Credit Cooperative Union in the Caopu Area of Anning City. Anning Rural Credit Cooperative Union was established in 1994 with a registered capital of RMB1.167 billion. It holds the PRC Financial License\* (中華人民共和國金融許可證) issued by the NFRA, authorizing it to carry out business of absorbing public deposits, disbursing short-term, medium-term and long-term loans, and processing domestic settlements and other businesses approved by the banking regulatory and administrative authorities. Its competent authority is the Kunming Rural Credit Cooperative Union, and its competent and ultimate authority is Yunnan Branch of the PBOC\* (中國人民銀行雲南省分行).

Phosphogypsum Company, a limited liability company incorporated in the PRC, is primarily engaged in research and development, manufacturing, sales, and construction of Phosphogypsum and solid waste-based new building materials products. It is a subsidiary of the Company and is jointly established by YCIH, the Company and Infrastructure Investment Company for the purpose of investment, financing, construction and operation of the Anning Phosphogypsum Comprehensive Utilization Project.

#### *B. Execution date and guaranteed period*

Executed on November 17, 2025, the guaranteed period shall be three years from the date of expiration of the term of the principal agreement and the loan thereunder; where the Lender declares the loan due and payable in advance pursuant to the principal agreement, the guaranteed period shall be three years from the date of such advance maturity<sup>Note</sup>.

*Note:* The primary reasons for a three-year guaranteed period are: ① under China's current legal system, the statutory limitation period for the principal claims is generally three years. A three-year guaranteed period prevents potential harm to creditors' or guarantors' rights arising from discrepancies between the statutory limitation period and the guaranteed period, thereby effectively balancing their interests; ② In China's judicial practice, a three-year guaranteed period has gained widespread recognition and adoption (most guarantees provided by YCIH for the Company's bank borrowings have a three-year guaranteed period).

#### *C. Scope of the guarantee*

The creditor's principal, interests, default interests (including overdue default interest and misappropriation default interest), compound interest, liquidated damages, damages, compensation, expenses incurred by the lender to realize creditor's right and related collateral rights (including but not limited to litigation fees, arbitration fees, preservation fees, advertising fees, appraisal fees, auction fees, travel expenses, telecommunication fees, attorney fees, enforcement fees, etc.), and other payable expenses (unless otherwise provided by laws and regulations or otherwise agreed by both parties). In the event of termination

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## LETTER FROM THE BOARD

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or revocation of the principal agreement, the guarantor shall assume guarantee liability for the principal amount of the loan to be repaid by the debtor as stipulated in the principal agreement, along with other payable expenses and disbursements.

### *D. Precedent conditions*

The Guarantee Agreement shall become effective on the date of approval by the general meeting of the Company.

### **3. Assessment of risks involved in guarantee contracts by the Board**

#### *(i) Guarantee Liability and Risk Exposure*

Pursuant to the fixed asset loan agreement, and based on the withdrawal status and the following assumptions, the Guarantee Agreement and the relevant legal system of the PRC, the maximum guarantee obligation and risk exposure of Phosphogypsum Company (as the Guarantor) under the Guarantee Agreement are as follows: the maximum loan principal is RMB84 million, and the maximum amount for loan interest is RMB740,000 (assuming the interest calculation is based on the final quarter, with no penalty interest applied), aggregating to RMB84.74 million. The guarantee obligation and maximum risk exposure of the Company are also RMB84.74 million.

- (a) the borrower shall draw down the full principal amount of RMB84 million prior to the final drawdown date stipulated in the fixed asset loan agreement (December 31, 2026);
- (b) the first quarterly interest due after the last withdrawal date has become overdue;
- (c) Phosphogypsum Company shall assume full guarantee liability prior to the accrual of any overdue penalty interest; and
- (d) given that the account is jointly managed by Phosphogypsum Company and the borrower under the supervision of Anning Rural Credit Cooperative Caopu Branch, no penalty interest has been misappropriated at present.

As Phosphogypsum Company is a subsidiary of the Company, its losses of guarantee liability shall be fully reflected in the Group's consolidated profit. However, from the perspective of shareholders' equity, the Company's shareholding in Phosphogypsum Company is 40%, which means that the maximum impact on equity attributable to the Company is RMB33.90 million.

#### *(ii) Credit Enhancement Measures for the Project Financing*

According to the project financing plan, the borrower (Building Materials Technology Company) will, upon completion of the acceptance of the project's equipment and facilities, use these equipment and facilities as asset collateral to secure the loan (the Group will not provide any asset collateral). On October 11, 2025, YCIH, as the controlling shareholder of the Building Materials Technology Company, entered into the Guarantee Agreement with Anning Rural Credit Cooperative Caopu Branch to provide a joint and several liability guarantee for the loan.

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## LETTER FROM THE BOARD

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### *(iii) Circumstances and Procedures for Assuming Guarantee Liability*

In accordance with the relevant provisions of PRC law, during the guaranteed period, if the guaranteed party (Building Materials Technology Company) fails to fulfill the repayment obligations under the fixed asset loan agreement, regarding the debt then due and payable, the Company will actively negotiate with the Building Materials Technology Company and YCIH to determine the sequence and amount of guarantee liability to be assumed. The lender (Anning Rural Credit Cooperative Caopu Branch) shall have the right to claim payment of the debt then due and payable against any one party or any combination of the following three parties: the Building Materials Technology Company (assuming it provides the asset collateral as per the financing plan), YCIH, and Phosphogypsum Company.

If it becomes necessary for Phosphogypsum Company to assume guarantee liability, Anning Rural Credit Cooperative Caopu Branch will exercise its rights directly pursuant to the Guarantee Agreement. After assuming guarantee liability, Phosphogypsum Company shall have the right to seek full recourse against the guaranteed party.

### *(iv) Guarantee Fee*

Phosphogypsum Company, as the Project's operation and management entity, providing a guarantee for the Project loan will be conducive to the Project's construction and implementation, meaning the beneficiaries of providing the guarantee include Phosphogypsum Company itself (whereas typically, the beneficiary is solely the guaranteed party). Concurrently, the borrower itself will provide an asset mortgage, and YCIH has already provided a joint and several liability guarantee. Additionally, the Company (as well as Phosphogypsum Company) is not a company professionally engaged in providing guarantee services. Therefore, Phosphogypsum Company has not charged any guarantee fee for providing the guarantee.

### *(v) Financial Condition and Repayment Capacity of Phosphogypsum Company*

According to the unaudited financial statements of Phosphogypsum Company, as of December 31, 2025, its total assets amounted to RMB45.79 million, and net assets amounted to RMB17.74 million. For the period from its establishment date (July 18, 2025) to December 31, 2025, the operating income amounted to RMB1.06 million, with a total profit loss of RMB5.77 million and a net profit loss of RMB4.76 million.

Based on the Project's feasibility study report, Phosphogypsum Company is expected to generate total income of approximately RMB2.5 billion (tax exclusive) during its operation period (10 years), achieve a total profit of approximately RMB310 million and a net profit of approximately RMB263 million, and accumulate cash inflows of approximately RMB2.9 billion.

To mitigate the potential impact of providing the guarantee on the Company, the Company will comprehensively monitor the financial condition and repayment capacity of Phosphogypsum Company. Measures to be taken include, but are not limited to:

- (a) Establishing a clear division of labor and collaboration mechanism. The Company's various management departments will conduct daily detailed supervision and management, the Company's management will provide business guidance and supervision according to their respective responsibilities, and the Company's Board and general meeting will decide on its major matters as needed;

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## LETTER FROM THE BOARD

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- (b) Strengthening the management of key personnel of Phosphogypsum Company (e.g., directors and senior management recommended by the Company), establishing a regular work reporting system, reinforcing performance-linked compensation assessment and incentives, etc., to promote the continuous improvement of the corporate governance standards of Phosphogypsum Company; and
- (c) Strengthening the management of key business operations of Phosphogypsum Company, including timely understanding of the project fund usage and conducting pre-approval for large expenditures during the initial project construction phase; and proactively enhancing its daily financial management (review and audit its financial statements and fund status on a monthly basis) through the Group's financial management system and approving its major investment projects according to procedures during the subsequent project operation phase.

Having assessed the aforementioned aspects, the Board is of the view that the terms of the Guarantee Agreement are fair and reasonable on normal commercial terms and in the interests of the Company and its Shareholders as a whole.

#### ***4. Reasons for and Benefits of Entering into the Guarantee Agreement***

As the major managing and operating entity entity of the Anning Phosphogypsum Comprehensive Utilization Project, Phosphogypsum Company provides guarantee for Building Materials Technology Company to obtain loans for the Project, which is not only the requirement of Anning Rural Credit Cooperative Caopu Branch for project loan management, but also the need of the Group to promote the early construction of the project and accelerate the conversion of preliminary investment into economic benefits. It is conducive to creating a full industrial chain demonstration base for comprehensive utilization of Phosphogypsum, promoting the effective utilization of industrial solid wastes (mainly Phosphogypsum), deeply integrating into resource circular economy of industrial solid waste and achieving synergistic and sustainable development of the economy and the ecology so as to consistently advance along the path of green and low-carbon development.

The Directors (including independent non-executive Directors but excluding the connected Director as described below, namely Ms. Yang Jia) are of the view that although the Guarantee Agreement and the transactions contemplated thereunder are not in the ordinary and usual course of business of the Company, the terms of the Guarantee Agreement are on normal commercial terms, are fair and reasonable, and in the interests of the Company and the Shareholders as a whole.

Ms. Yang Jia, a non-executive Director, who holds a position with YCIH Group, has abstained from voting on the Board resolution in relation to the Guarantee Agreement and the transactions contemplated thereunder. Save as disclosed above, no other Directors has a material interest in the Guarantee Agreement and the transactions contemplated thereunder or is required to abstain from voting on the Board resolution in relation to the Guarantee Agreement and the transactions contemplated thereunder.

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## LETTER FROM THE BOARD

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### 5. Listing Rules Implications

Since the highest applicable percentage ratio in respect of the Guarantee Agreement and the transactions contemplated thereunder exceeds 25%, such Agreement and the transactions contemplated thereunder constitute major transaction of the Company and are subject to the notification, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

In addition, as at the Latest Practicable Date, the Company's controlling shareholder – YCIH directly and indirectly holds 100% equity interest in the Building Materials Technology Company. According to Rule 14A.07(1) of the Listing Rules, the Building Materials Technology Company is a connected person of the Company. In addition, the Phosphogypsum Company is a subsidiary of the Company. Therefore, transaction contemplated under the Guarantee Agreement constitutes a connected transaction.

### III. THE INDEPENDENT BOARD COMMITTEE AND THE INDEPENDENT FINANCIAL ADVISER

An Independent Board Committee has been established by the Company to advise the Independent Shareholders as to whether the three transactions and/or connected transactions are on normal commercial terms or on better terms in the ordinary and usual course of business of the Company and are fair and reasonable and in the interests of the Company and the Shareholders as a whole. VBG Capital has been appointed as the Independent Financial Adviser by the Company to advise the Independent Board Committee and the Independent Shareholders on the same in accordance with the Listing Rules.

### IV. EGM AND VOTING METHOD

The Company intends to convene the EGM at 10:00 a.m. on Wednesday, March 4, 2026 at Conference Room No.908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC, to consider and, if appropriate, approve the matter set out in the notice of the EGM. The form of proxy has been provided to the Shareholders in accordance with the Listing Rules on Monday, February 9, 2026. The notice of the EGM is set out on pages EGM-1 to EGM-3 of this circular.

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

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

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## **LETTER FROM THE BOARD**

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

As at the Latest Practicable Date, YCIH and YOIC, held a total of 280,050,000 Domestic Shares, representing in aggregate approximately 62.75% of the issued share capital of the Company. YCIH and YOIC are required to abstain from voting at the EGM in respect of the resolution to approve the three transactions and/or connected transactions and the transaction contemplated thereunder. To the best of the Directors' knowledge, information and belief after having made all reasonable enquiries, no Shareholder other than YCIH and YOIC is required to abstain from voting at the EGM.

### **V. CLOSURE OF REGISTER OF MEMBERS**

To determine the list of Shareholders entitled to attend and vote at the EGM, the Company will close the register of members from Friday, February 27, 2026 to Wednesday, March 4, 2026 (both days inclusive), during which no transfer of Shares will be effected. Shareholders whose names appear on the Company's register of members on Wednesday, March 4, 2026 shall be entitled to attend and vote at the EGM. To be eligible to attend and vote at the EGM, all transfer documents shall be delivered, by no later than 4:30 p.m. on Thursday, February 26, 2026, to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or to the Board office of the Company, at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC (for holders of Domestic Shares).

### **VI. RECOMMENDATIONS**

The Directors (including the independent non-executive Directors that considered the advice from VBG Capital) are of the view that (i) 2026-2028 Financial Services Framework Agreement and the deposit services, the bills acceptance and discount services and factoring services contemplated thereunder; and (ii) the revision of the existing 2025 annual cap of the continuing connected transactions under the Land and Property Leasing Framework Agreement are entered into on normal commercial terms or better, in the ordinary course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, although the Guarantee Agreement and major transaction and connected transaction contemplated thereunder are not carried out in the ordinary and usual course of business of the Company, the terms of the Guarantee Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole. Accordingly, the Directors recommend the Independent Shareholders to vote in favor of the relevant resolutions to be proposed at the EGM.

Your attention is drawn to the letter from the Independent Board Committee set out on pages 38 to 39 of this circular and the letter from the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders set out on pages 40 to 58 of this circular.

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## LETTER FROM THE BOARD

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### VII. ADDITIONAL INFORMATION

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

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



雲建綠砼  
— GHPC —

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

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

*(Stock Code: 1847)*

February 9, 2026

*To the Independent Shareholders,*

Dear Sir/Madam,

**(1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2026-2028 FINANCIAL SERVICES FRAMEWORK AGREEMENT;**

**(2) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND PROPERTY LEASING FRAMEWORK AGREEMENT; AND**

**(3) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF GUARANTEE**

We refer to the circular of the Company dated February 9, 2026 (the “Circular”), of which this letter forms a part. Terms defined in the Circular shall have the same meaning when used herein, unless the context requires otherwise.

We have been appointed as the members of the Independent Board Committee to advise you as to whether in our opinion, (i) 2026-2028 Financial Services Framework Agreement and the deposit services, the bills acceptance and discount services and factoring services contemplated thereunder; (ii) the revision of the existing 2025 annual cap of the continuing connected transactions under the Land and Property Leasing Framework Agreement; and (iii) the Guarantee Agreement and major transaction and connected transaction contemplated thereunder, details of which are set out in the letter from the Board, are entered into on normal commercial terms or better, in the ordinary course of business of the Company, are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

VBG Capital has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders on the fairness and reasonableness of the aforementioned three transactions and/or connected transactions. Details of the advice from VBG Capital, together with the principal factors taken into consideration in arriving at such advice, are set out in its letter on pages 40 to 58 of the Circular.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Your attention is also drawn to the letter from the Board set out on pages 6 to 37 of the Circular.

Having considered the three transactions and/or connected transactions, the interests of the Independent Shareholders and the advice and recommendation of VBG Capital, we are of the view that: (i) 2026-2028 Financial Services Framework Agreement and the deposit services, the bills acceptance and discount services and factoring services contemplated thereunder; and (ii) the revision of the existing 2025 annual cap of the continuing connected transactions under the Land and Property Leasing Framework Agreement are entered into on normal commercial terms or better, in the ordinary course of business of the Group, are fair and reasonable and in the interest of the Company and the Shareholders as a whole. In addition, although the Guarantee Agreement and major transaction and connected transaction contemplated thereunder are not carried out in the ordinary and usual course of business of the Company, the terms of the Guarantee Agreement are on normal commercial terms, which are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Shareholders to vote in favor of the relevant resolutions at the EGM so as to approve the aforementioned three transactions and/or connected transactions.

Yours faithfully,  
For and on behalf of  
Independent Board Committee

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

**Mr. Yu Dingming**  
*Independent non-executive  
Director*

**Mr. Li Hongkun**  
*Independent non-executive  
Director*

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## LETTER FROM VBG CAPITAL

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*Set out below is the text of a letter received from VBG Capital Limited, the Independent Financial Adviser to the Independent Board Committee and the Independent Shareholders in respect of the three transactions and/or connected transactions for the purpose of inclusion in this circular.*



建泉融資有限公司  
VBG Capital Limited

Suites 707-709, 7/F.  
12 Taikoo Wan Road  
Taikoo  
Hong Kong

9 February 2026

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

Dear Sirs,

- (1) MAJOR TRANSACTIONS AND CONTINUING CONNECTED TRANSACTIONS IN RELATION TO THE 2026-2028 FINANCIAL SERVICES FRAMEWORK AGREEMENT;**
- (2) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND PROPERTY LEASING FRAMEWORK AGREEMENT; AND**
- (3) MAJOR TRANSACTION AND CONNECTED TRANSACTION IN RELATION TO PROVISION OF GUARANTEE**

### I. INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the three transactions and/or connected transactions, details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular dated 9 February 2026 issued by the Company to the Shareholders (the “**Circular**”), of which this letter of advice forms part. Capitalised terms used in this letter of advice shall have the same meanings as ascribed to them under the section headed “Definitions” in the Circular unless the context requires otherwise.

On 18 November 2025, the Company announced the entering into of the three transactions and/or connected transactions by the Group, which constitute major transactions and continuing connected transactions, and major transactions and connected transactions (as the case maybe) for the Company under Chapters 14 and 14A of the Listing Rules, and are subject to, among other things, the Independent Shareholders’ approval requirement. An EGM will be convened by the Company to seek approval from the Independent Shareholders in respect of these transactions.

The Independent Board Committee comprising Messrs. Wong Kai Yan Thomas, Yu Dingming and Li Hongkun (all being the independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of each of the three transactions and/or connected transactions are on

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## LETTER FROM VBG CAPITAL

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normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; (ii) whether the three transactions and/or connected transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the three transactions and/or connected transactions at the EGM. We, VBG Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

### II. BASIS OF OUR OPINION

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

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

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent investigation into the business and affairs or future prospects of the Group, YCIH Financial Company, YCIH Factoring Company, Infrastructure Investment Company, Building Materials Technology Company, Phosphogypsum Company, YCIH or their respective shareholders, subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the three transactions and/or connected transactions. Our opinion is necessarily based on the market, financial, economic and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to consider events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. Nothing contained in this letter of advice should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

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## LETTER FROM VBG CAPITAL

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Shareholders should note that as the proposed annual caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of revenues or costs to be recorded from the three transactions and/or connected transactions. Consequently, we express no opinion as to how closely the actual revenues and costs to be recorded under the three transactions and/or connected transactions will correspond with the proposed annual caps.

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

### **III. OUR INDEPENDENCE**

As at the Latest Practicable Date, apart from (i) having acted as the independent financial adviser of the Company relating to two continuing connected transactions of which a circular dated 19 January 2026 was issued; and (ii) the existing engagement in relation to the three transactions and/or connected transactions, we did not have any business relationship with the Company within the past two years. Save for the normal fees payable to us in connection with this appointment, no arrangement exists whereby we shall receive any fees or benefits from the Company and its subsidiaries or the Directors, chief executive or substantial shareholders (as defined in the Listing Rules) of the Company or any of their associates. We consider ourselves independent to form our opinion in respect of the three transactions and/or connected transactions in compliance with Rule 13.84 of the Listing Rules.

### **IV. PRINCIPAL FACTORS AND REASONS CONSIDERED**

In arriving at our opinion in respect of the three transactions and/or connected transactions, we have taken into consideration the following principal factors and reasons:

#### **(I) BACKGROUND OF THE THREE TRANSACTIONS AND/OR CONNECTED TRANSACTIONS**

##### **1. Business overview of the Group**

The Group is primarily engaged in the research and development, production, and sales of ready-mixed commercial concrete, along with upstream and downstream building materials such as cement, aggregates, admixtures, and prefabricated components in the PRC.

The Group is a leading concrete products supplier in Yunnan Province. In recent years, the Company has continued to carry out transformation and upgrading. While focusing on research and development, production, and sales of ready-mixed commercial concrete as well as building materials for upstream and downstream products such as cement, aggregates, admixtures, and prefabricated components, the Company has expanded the comprehensive utilization of solid waste resources, particularly Phosphogypsum. The Group's business scope covers housing construction and infrastructure construction, including railways, highways, integrated pipeline networks and other projects.

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## LETTER FROM VBG CAPITAL

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### 2. Information on YCIH

As extracted from the Letter from the Board, YCIH, the controlling shareholder of the Company, is a limited company established in the PRC. YCIH is held as to 97.35% by the Yunnan SASAC and as to 2.65% by the Yunnan Provincial Department of Finance and it operates under the supervision and regulation of the Yunnan SASAC.

YCIH Group (including the Group) is primarily engaged in three major businesses including, amongst others, construction engineering, infrastructure investment and modern logistics in the PRC and internationally.

### 3. Future advancement of the construction industry of Yunnan Province

From our independent research, we noted from the data released by the Yunnan Statistical Bureau that the annual gross domestic product (GDP) of Yunnan Province had increased by approximately 3.3% year-on-year to reach approximately RMB3,153.4 billion in 2024. The per capita GDP of the province in 2024 was RMB67,612, representing an increase of approximately 3.8% year-on-year. The total industrial added value of Yunnan Province in 2024 was approximately RMB745.4 billion, up by approximately 3.2% year-on-year. The total output value of the construction industry of the province in 2024 was approximately RMB813.9 billion, representing an increase of approximately 3.2% over the previous year.

The “14th Five-Year Plan for National Economic and Social Development of Yunnan Province and the Outline of the 2035 Vision” (《雲南省國民經濟和社會發展第十四個五年規劃和二零三五年遠景目標綱要》) has put forward the blueprint for future development of Yunnan Province. Following the implementation of the “14th Five-Year Plan for Construction Industry Development of Yunnan Province” (《雲南省「十四五」建築業發展規劃》), the “14th Five-Year Plan Outline for Housing and Urban Rural Construction of Yunnan Province” (《雲南省住房和城鄉建設事業「十四五」規劃綱要》) and other planning documents, it is expected that the construction industry of Yunnan Province will enjoy development opportunity. Based on the “List of Major Provincial Projects in Yunnan Province in 2025” (《雲南省2025年度省級重大項目清單》) and the “List of Yunnan Province’s “Top Priority” Projects in 2025” (《雲南省2025年度“重中之重”項目清單》) published by the Yunnan provincial government in early 2025, the province has a total of 1,775 major projects (among which 76 are top priority projects), covering industrial development and infrastructure, with total investment of nearly RMB3,000 billion and annual planned investment of nearly RMB400 billion. The number of projects and total investment jumped by approximately 7.6% and 6.6% respectively as compared to last year. In accordance with the “Planning Outline of Comprehensive Three-dimensional Transportation Network of Yunnan Province” (《雲南省綜合立體交通網規劃綱要》), a modern three-dimensional transportation network integrating the land, air and water transports will be formed by 2035. In addition, the “Energy Initiatives for Implementation of Stable Growth Policies” (《落實穩增長政策措施能源行動方案》) emphasizes the acceleration of construction of major hydropower and new energy projects, oil and gas infrastructure in the near future.

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

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## LETTER FROM VBG CAPITAL

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### (II) THE 2026-2028 FINANCIAL SERVICES FRAMEWORK AGREEMENT

#### 1. Reasons for the 2026-2028 Financial Services Framework Agreement

With reference to the Letter from the Board, through the Company's previous cooperation with YCIH (primarily via its subsidiaries, YCIH Financial Company and YCIH Factoring Company), the Directors believe that YCIH understands the Company's characteristics, capital structure, business operations, financing needs, cash flow patterns and entire financial management system. YCIH provides services to the Group on equal or better commercial terms compared to those offered by major domestic commercial banks in the PRC. In addition, as it is a major clearing and settlement platform of YCIH and/or its associates, the Directors believe that it could reduce costs and maximize efficiency by using the services from YCIH.

Pursuant to the 2026-2028 Financial Services Framework Agreement, the Group is not prohibited or restricted in any way to use the financial services provided by other commercial banks or independent financial institutions in the open market, and the Company enjoys discretion to make its selection according to its own business 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 so as to deploy and manage its financial resources flexibly and efficiently.

To independently assess the financial and credit risks of YCIH and/or its associates, we have taken into account:

- (i) based on the financial information of YCIH Financial Company we requested from the Company, YCIH Financial Company has a strong financial standing of revenue and net profit of approximately RMB367.1 million and RMB184.5 million, respectively, in 2024, and net asset value of approximately RMB3.6 billion as at 31 December 2024;
- (ii) based on the financial information of YCIH Factoring Company we requested from the Company, YCIH Factoring Company has a healthy financial standing of revenue and net profit of approximately RMB21.4 million and RMB10.9 million, respectively, in 2024, and net asset value of approximately RMB213.0 million as at 31 December 2024;
- (iii) YCIH Financial Company is closely supervised by the NFRA and is abided by a series of stringent regulations;
- (iv) the documents relating to internal control and risk management systems, such as the Credit Risk Management System (《信貸業務管理制度》), the Measures on Credit Business Management (《信貸風險管理辦法》), the Measures on Payment and Settlement Business (《支付結算業務管理辦法》), the Rules for Payment and Settlement Business (《支付結算業務實施細則》) and the Detailed Rules for the Operation of Domestic Factoring Business (《國內保理業務操作實施細則》) submitted by YCIH and/or its associates to the Company;
- (v) to the best knowledge of the Directors, up to the Latest Practicable Date, there had been no record of non-compliance with relevant laws, rules and regulations of the PRC in relation to YCIH and/or its associates; and

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## LETTER FROM VBG CAPITAL

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(vi) YCIH and/or its associates shall notify the Company, subject to compliance with applicable laws and regulations, should it have any judicial, legal or regulatory proceedings or investigations which are reasonably likely to have a material impact on its financial condition. If the Company considers that there is any material adverse change in the financial condition of YCIH and/or its associates, the Company will take appropriate measures (including early withdrawal of deposits and a moratorium on further deposits) to protect its financial position.

With the above being the case, we concur with the Directors that the financial and credit risks of YCIH and/or its associates are likely to be low and manageable.

Moreover, upon our enquiry with the Directors and review of the relevant internal control manuals, we understand that the Company has formulated financial and fund management rules and regulations to safeguard against fund risks, strengthen its internal financial management and regulate financing activities. Under those financial and fund management rules and regulations, the Company has set up an integrated financial management system on planning, budgeting and assessment. The financial management center is responsible for consolidating quotations and requirements from different financial institutions and factoring companies to formulate a preliminary proposal. The proposal is subject to review by the manager of the Company's financial management center, and then submitted for approval by the chief financial officer, general manager, and chairman according to authority levels. Receipts of all financial services should be recorded and kept properly in the register for five years by a designated personnel. Should there be any missing receipts, it shall be promptly reported to the financial management center for inspection. Thus, the Group's internal control measures with designated personnel and senior management focusing on continuous supervision would be an effective control on the 2026-2028 Financial Services Framework Agreement.

In view of the aforesaid reasons for the 2026-2028 Financial Services Framework Agreement and that as concluded above the financial and credit risks of YCIH and/or its associates are likely to be low and manageable, we concur with the Directors that the 2026-2028 Financial Services Framework Agreement is conducted in the ordinary and usual course of business of the Group and is in the interests of the Company and the Shareholders as a whole.

### **2. Principle terms of the Financial Services under the 2026-2028 Financial Services Framework Agreement**

Principal terms of the Financial Services under the 2026-2028 Financial Services Framework Agreement dated 17 November 2025 are set out as follows:

**Parties:** The Company (as service recipient, for itself and on behalf of its subsidiaries) and YCIH (as service provider, for itself and on behalf of its associates)

**Term:** 1 January 2026 to 31 December 2028

**Scope and pricing basis:** YCIH agreed to provide certain financial services (including but not limited to deposit services, bills acceptance and discount services and factoring services (altogether, the "Financial Services")) and the Company agreed to use those financial services depending on its requirements.

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## LETTER FROM VBG CAPITAL

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

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

With respect to the factoring services, the fees to be charged by YCIH shall not be higher than those of the same type of service provided by major domestic commercial banks and major domestic commercial factoring companies in the PRC to the Group in the same period.

As mentioned above, the interest rates payable by YCIH in respect of the deposit services shall not be lower than the interest rates in respect of the same type of deposit service provided by major domestic commercial banks in the PRC to the Group in the same period. In this relation, we have compared the deposit rates offered by other major domestic commercial banks in the PRC and YCIH throughout 2024 and 2025 (the period was selected for its recency), and noted that the deposit rates offered by YCIH were not lower than those offered by other major domestic commercial banks in the PRC throughout the selected period.

Moreover, we have requested the Company to provide us with and reviewed (i) five individual bills acceptance and discount services agreements entered into between the Group and YCIH and/or its associates taking place in October 2022, February and March 2023 and January 2025); and (ii) 15 bills acceptance and discounts services agreements (five per each year) entered into between YCIH and/or its associates with their other independent third party customers during the period from January 2023 to December 2025. As we understand from the Directors that those five agreements represented all historical agreements between the Group and YCIH and/or its associates in the past few years, we consider them to be sufficient, fair and representative. Based on our review and comparison of the same, the service fees charged by YCIH and/or associates on the Group were not higher than those they charged on their other independent third party customers and their payment terms were alike.

As regards the factoring services, for the reason that as confirmed by the Directors, there has been no factoring service provided by YCIH and/or its associates during the past few years, we are unable to assess the fee charged by YCIH on the Group with the market rate. Nevertheless, we noted that there is similar provision under the 2026-2028 Financial Services Framework Agreement to ensure that the fees on factoring services to be charged by YCIH shall not be higher than those of the same type of service provided by major domestic commercial banks and major domestic commercial factoring companies in the PRC to the Group in the same period and the payment terms of YCIH shall not be less favourable than those offered by major domestic commercial banks and major domestic commercial factoring companies in the PRC.

After performing the independent checks and comparisons as detailed above, we do not doubt the fairness and reasonableness of the pricing policy under the 2026-2028 Financial Services Framework Agreement.

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## LETTER FROM VBG CAPITAL

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At the same time, we noted that pursuant to the 2026-2028 Financial Services Framework Agreement, services provided by YCIH are not exclusive. That is to say, the Group may (but is not obliged to) utilize the Financial Services provided by YCIH. We consider that such provision could provide flexibility for the Group to decide which service provider(s) to engage with according to its own business needs as well as the terms and quality of such services, and hence is beneficial to the Group.

In light of the above, we are of the opinion that the terms of the Financial Services under the 2026-2028 Financial Services Framework Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **3. The proposed annual caps**

The Company proposes to set the annual caps for the deposit services under the 2026-2028 Financial Services Framework Agreement as RMB200 million for each of the three years ending 31 December 2026, 2027 and 2028.

As referred to in the Letter from the Board, the actual maximum daily deposit amounts (including interest accrued thereon) of the Group with YCIH and/or its associates were approximately RMB99.2 million, RMB89.0 million and RMB64.8 million in 2022, 2023 and 2024, respectively, utilizing approximately 66.1%, 44.5% and 32.4% of the respective annual caps for the years concerned.

On the other hand, the Company proposes to set the annual caps for the bills acceptance and discount services under the 2026-2028 Financial Services Framework Agreement as RMB300 million for each of the three years ending 31 December 2026, 2027 and 2028.

As referred to in the Letter from the Board, the actual amounts of bills acceptance and discount services offered by YCIH and/or its associates to the Group were approximately RMB21.3 million, RMB115.5 million and RMB68.5 million in 2022, 2023 and 2024, respectively, utilizing approximately 21.3%, 28.9% and 17.1% of the respective annual caps for the years concerned.

As for the factoring services, the Company proposes to set the annual caps under the 2026-2028 Financial Services Framework Agreement as RMB30 million for each of the three years ending 31 December 2026, 2027 and 2028. There has been no factoring service provided by YCIH and/or its associates during the past few years.

Despite the low utilization of the relevant historical annual caps which was mainly attributable to the government policy adjustment affecting the real estate sector and government investments, and in turn the Group's business needs, we are of the view that given that:

#### ***Deposit services:***

- (i) the Group has constant substantial demand for the deposit services offered by YCIH. Upon our further review of such demand pattern, it is noted that despite the decrease in the actual maximum daily deposit amounts of the Group with YCIH and/or its associates from 2022 to 2024, the actual maximum daily deposit amounts (including interest accrued thereon) of the Group with YCIH and/or its associates were approximately RMB262.0 million (during the validity period of the financial

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## LETTER FROM VBG CAPITAL

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services framework agreement of 2019 (*Note*)), RMB188.0 million (during the validity period of the financial services framework agreement of 2019 (*Note*)) and RMB133.0 million (during the validity period of the financial services framework agreement of 2020 (*Note*)) in 2019, 2020 and 2021, respectively. The Group's demand for deposit services in 2019 and 2020 indicated that the proposed annual cap of RMB200 million under the 2026-2028 Financial Services Framework Agreement is not unreasonable as depending on business needs, the Group's demand for deposit services from YCIH was close to or might even exceed RMB200 million;

*Note: The validity period of the 2019 financial services framework agreement ended on 29 June 2020. The actual maximum daily deposit amount of the Group with YCIH and/or its associates for 2019 fell within the validity period of the 2019 financial services framework agreement. The actual maximum daily deposit amount for 2020 fell within the validity period of the 2019 financial services framework agreement from 1 January 2020 to 29 June 2020. The actual maximum daily deposit amount of the Group with YCIH and/or its associates for 2021 fell within the validity period of the 2020 financial services framework agreement.*

- (ii) the proposed annual caps provide flexibility to instead of an obligation on the Group to use the deposit services offered by YCIH on terms no less favourable than those offered by major domestic commercial banks in the PRC. This arrangement can on one hand provides the Group with flexibility in selecting financial institutions for deposit services, and on the other hand allow the Group to capture higher interest earnings from its idle cash;

### ***Bills acceptance and discount services***

- (iii) as represented by the Directors, the Group has constant substantial demand for bills acceptance and discount services. In 2024, the total amount of bills acceptance and discount services used by the Group (including bills acceptance and discount services provided by YCIH) amounted to around RMB366 million;
- (iv) going forward, as the procurement amounts between the Group and YCIH Group are expected to increase considerably, the Company plans to utilize more bills acceptance and discount services provided by YCIH to enjoy the convenience of internal payment provided by YCIH. However, the Group shall not rely completely on YCIH Group for bills acceptance and discount services. Based on the total amount of bills acceptance and discount services used by the Group in 2024 of RMB366 million set forth in point (iii) above, the annual caps for the bills acceptance and discount services under the 2026-2028 Financial Services Framework Agreement were set at RMB300 million for each of the three years ending 31 December 2026, 2027 and 2028;

### ***Factoring services***

- (v) although the Group has not previously engaged in factoring business with YCIH, the amount of settlements and payments conducted through factoring services for upstream and downstream transactions has increased in recent years. During the eleven months ended 30 November 2025, the amount incurred reached RMB84 million, indicating the Group's substantial demand for factoring services;

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## LETTER FROM VBG CAPITAL

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- (vi) based on our review of the 2025 interim report of the Company, the total amount of accounts and notes receivables of the Group as at 30 June 2025 exceeded RMB3.0 billion and the proposed annual caps for the factoring services of RMB30 million represent approximately 1% only of the Group's latest accounts and notes receivables;
- (vii) the factoring services offered by YCIH could optimize the Group's debt structure and reduce its leverage ratio, which would be beneficial to the Company and the Shareholders as a whole; and

*Overall*

- (viii) based on our review of the 2024 annual report of the Company, the Group recorded considerable operating income of over RMB1.0 billion from 2020 to 2023. Despite the downturn in 2024, the Group picked up the growing momentum in its interim results of 2025 as compared to the same period of 2024 with operating income surging by approximately 57.2%. The Directors expected that the possible business advancement of the Group would generate massive cash flow and ongoing demand for all the Financial Services,

the proposed annual caps for the Financial Services under the 2026-2028 Financial Services Framework Agreement are fair and reasonable so far as the Independent Shareholders are concerned.

**(III) THE REVISION OF THE EXISTING 2025 ANNUAL CAP FOR THE CONTINUING CONNECTED TRANSACTIONS UNDER THE LAND AND PROPERTY LEASING FRAMEWORK AGREEMENT**

On 17 November 2025, Phosphogypsum Company (as lessee) entered into the Leasing Contract with Building Materials Technology Company (as lessor), pursuant to which Phosphogypsum Company agreed to lease from Building Materials Technology Company certain land and buildings located in Anning City, Yunnan Province for offices, accommodation, goods storage, production and circulation of building materials and other related purposes. The Leasing Contract was executed on 17 November 2025, with a tentative lease term of one year, effective from 1 August 2025 to 31 July 2026. Upon expiration of the lease term, Phosphogypsum Company will have the first right to renew the lease.

Shareholders may refer to the Letter from the Board for further details regarding the background of the entering into of the Leasing Contract.

**1. Reasons for the Leasing Contract**

As being detailed under the latter section headed "The Guarantee Agreement" of this letter of advice, Phosphogypsum Company was established on 18 July 2025 for the purpose of investment, financing, construction and operation of the Anning Phosphogypsum Comprehensive Utilization Project.

As represented by the Directors, in order to effectively use the high-quality stock assets, reasonably control the scale of investment, and ensure that the Anning Phosphogypsum Comprehensive Utilization Project will be put into operation in 2025, the Anning Phosphogypsum Comprehensive Utilization Project adopts the layout principle of "proximity to raw materials, closeness to target market", whereby Building Materials

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## LETTER FROM VBG CAPITAL

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Technology Company, as the investment entity, shall lease its land and buildings located in the Caopu area of Anning Industrial Park to Phosphogypsum Company, which will be used as production and operation base for the Anning Phosphogypsum Comprehensive Utilization Project.

According to the information provided by the Directors, the lease property under the Leasing Contract is part of the existing production base of Building Materials Technology Company located in Anning Industrial Park. Building Materials Technology Company has invested a total sum of around RMB1.2 billion to develop this production base. At present, the area is well-equipped with modern sophisticated equipment, standardized workshops and automated three-dimensional warehouses of 132,800 square meters.

Based on our independent research on the internet webpage of the Anning city government (<http://www.kman.gov.cn/>), Anning Industrial Park a key provincial industrial park in Yunnan Province. After years of rapid development, the park has been awarded the titles of “national new industrialization (phosphorus chemical) industry demonstration base”, “national green industrial park”, and “top ten national chemical potential parks”.

The Directors are of the view that entering into of the Leasing Contract is beneficial for the Group to accelerate the advancement of the Anning Phosphogypsum Comprehensive Utilization Project, so that the Project can be put into operation in 2025. It also helps the Group to promote the effective utilization of industrial solid wastes (mainly Phosphogypsum) to achieve synergistic and sustainable green and low-carbon development.

### 2. Principal terms of the Leasing Contract

The lease property is located at No. 1 Longshu Road, Caopu Street, Anning City, Kunming, Yunnan Province, and includes an office building, the third floor of dormitory, a factory building and a hardened surrounding areas of the factory building, with a total area of 64,600.95 square meters. The Leasing Contract has a tentative lease term of one year effective from 1 August 2025 to 31 July 2026. Upon expiration of the lease term, Phosphogypsum Company will have the first right to renew the lease.

In light of that Phosphogypsum Company will have the first right to renew the lease upon expiration of the lease term of one year, we are of the opinion that the term of the Leasing Contract is appropriate as it allows flexibility while securing the continual operation of Phosphogypsum Company should it wish to continue leasing the lease property as its operating premises upon expiration of the one-year lease term.

Pursuant to the Leasing Contract, the annual rental (tax inclusive) is RMB9.87 million. Upon our enquiry with the Directors, we understand that to ensure that the rental under the Leasing Contract is fair and reasonable and not less favourable than the rental payable to independent third party landlords in respect of similar premises, the Company has researched for and identified five most similar comparable premises within Anning Industrial Park (the “**Comparable Premises**”) for rental offers comparison. The following table demonstrates the relevant market research findings of the Company:

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	<b>Rental offers of neighboring area (RMB/square meter)</b>	<b>Rates under the Leasing Contract (RMB/square meter)</b>
Office building	17 to 25	17.50
Dormitory	17 to 25	17.50
Factory building	17 to 25	17.50

Moreover, as compared to the Comparable Premises which are basically empty and farther away from the raw materials site, the lease property under the Leasing Contract which is part of the existing production base of Building Materials Technology Company is better equipped with different facilities and is closer to the raw materials site. We have independently assessed the information on the Comparable Premises and noted that (1) they are located within the Anning Industrial Park and within 25 kilometers of the Phosphogypsum-generating enterprises or Phosphogypsum residue depot; (2) they are in an idle state with factory buildings having a floor height of over ten meters, allowing renovations to the factory buildings; (3) the land type is industrial land; the property types include factory buildings, office buildings, and dormitories; and (4) except for factory buildings, the conditions of the office buildings and dormitories should preferably be in a renovated state, or in a rough condition (requiring only minor renovations before being put into use). Given that (i) the rates of various sections of the lease property are within their respective market rates; and (ii) the lease property is of better quality and can shorten the raw materials transportation distance, the rental under the Leasing Contract is fair and reasonable and on normal commercial terms.

### **3. The revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement**

As advised by the Directors after consultation with the reporting accountants of the Company, in accordance with the PRC ASBE applicable to the Group, the rental under the Leasing Contract has resulted in an amount of RMB25.32 million recognized as the right-of-use assets in the consolidated financial statements of the Group for the year ended 31 December 2025. The right-of-use assets represent the Group's rights to use the underlying leased asset over the lease term. As stipulated under the Listing Rules, the Company is required to set caps on the total value of right-of-use assets relating to leases. As such, the Company proposed to revise the annual cap under the Land and Property Leasing Framework Agreement to RMB37.25 million for the year ended 31 December 2025. The revised 2025 annual cap was determined based on, among other factors, the historical transaction amount under the Land and Property Leasing Framework Agreement of approximately RMB5.4 million for the nine months ended 30 September 2025 recognized as right-of-use assets as well as the said RMB25.32 million to be recognized as right-of-use assets.

Judging from the above, we are of the view that the revision of the 2025 annual cap under the Land and Property Leasing Framework Agreement is fair and reasonable so far as the Independent Shareholders are concerned.

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### 4. Internal procedures relating to the Land and Property Leasing Framework Agreement

Pursuant to the Land and Property Leasing Framework Agreement, the rentals of the land and properties leased by the lessor to the lessee shall be determined with reference to the lease contracts (if any) that have been or are being performed by the parties, the market rentals of similar land and properties in the neighboring areas of the relevant land and properties and other factors, to ensure that the rentals are maintained at a fair and reasonable level, while the rentals per unit area shall not be higher than the prices for the leases of land and properties in the same area by the lessor to independent third party lessee. Both parties shall review and adjust (if applicable) the rentals upon renewal of the leasing contracts with reference to the prevailing market conditions. In this relation, we noted that the Group has followed such pricing policy when entering into the Leasing Contract.

Furthermore, upon our discussion with the Directors and review of the relevant internal control manuals, we noted that the relevant functional departments of the Company will conduct interim and annual reviews of the Group's continuing connected transactions, so as to confirm that the relevant transactions have been approved by the Board and are carried out in accordance with the Land and Property Leasing Framework Agreement without exceeding the annual caps. As at the Latest Practicable Date, the actual transaction amount under the Land and Property Leasing Framework Agreement exceeded the original annual cap primarily because when determining the original annual cap, the Anning Phosphogypsum Comprehensive Utilization Project had not yet been established (the Project was approved by the Board in February 2025 and received project approval from the Yunnan Provincial Development and Reform Commission in March 2025). Therefore, the Company was unable to anticipate subsequent leasing transactions associated with the Project, resulting in the original annual cap not incorporating this transaction. In accordance with the requirements of the PRC ASBE, as the commencement date of the lease under the Leasing Contract is the date when the actual use began, Phosphogypsum Company and the Company have recognized right-of-use assets based on the Leasing Contract, the amount of which exceeded the remaining available balance under the original annual cap for 2025.

In order to prevent the re-occurrence of such situation, the Board has issued a warning letter to the senior management, requiring them to strengthen their study and implementation of the Listing Rules. The Company also appointed a Hong Kong legal adviser to conduct a specialized training session on connected transactions and notifiable transactions for the Board, senior management, heads of management department and subsidiaries. The Group has further strengthened its internal control measures to, amongst others, (i) enhance the management of connected transactions and notifiable transactions within the Group, especially concerning subsidiaries; (ii) improve the management of annual caps for continuing connected transactions; and (iii) undertake advance planning and forecast for future projects, particularly the large-scale ones. We have obtained a copy of the said warning letter and compared the enhanced internal control measures of the Group with the internal control measures in relation to connected transactions commonly adopted by listed companies in Hong Kong, and noted that the Group's enhanced internal control measures are in place and would be sufficient based on market comparison to supervise the Land and Property Leasing Framework Agreement.

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### (IV) THE GUARANTEE AGREEMENT

As mentioned under the sub-section headed “Business overview of the Group” of this letter of advice, the Group is a leading concrete products supplier in Yunnan Province. In recent years, the Company has continued to carry out transformation and upgrading. While focusing on research and development, production, and sales of ready-mixed commercial concrete as well as building materials for upstream and downstream products such as cement, aggregates, admixtures, and prefabricated components, the Company has expanded the comprehensive utilization of solid waste resources, particularly Phosphogypsum.

Phosphogypsum is a kind of bulk general industrial solid wastes discharged by phosphorus chemical enterprises. In 2024, the Group pioneered the concept of using Phosphogypsum to produce artificial Phosphogypsum stones in China. The Group has developed a series of Phosphogypsum-based products, including artificial Phosphogypsum stone, artificial Phosphogypsum aggregate concrete, and Phosphogypsum roadbed materials. In 2024, the Group obtained the Grade 1 Certification for Innovation and Intellectual Property Management Capability (《創新與知識產權管理能力》) in the field of Phosphogypsum building materials. Additionally, a patent navigation report on the development of key new Phosphogypsum building material products has been completed by the Group to guide the implementation of related production projects. Through independent research, development, and process design, the Group has established a pilot production line capable of processing 50 tons of Phosphogypsum on a daily basis in Kunming City. In 2024, about 200 tons of additional Phosphogypsum was utilized by the Group, further promoting the disposal and utilization of bulk industrial solid wastes in Yunnan Province.

On 30 May 2025, the Company entered into an investment cooperation agreement (the “**Investment Cooperation Agreement**”) with YCIH and Infrastructure Investment Company to jointly carry out the Anning Phosphogypsum Comprehensive Utilization Project. Subsequently on 18 July 2025, Phosphogypsum Company, a joint venture owned as to 40%, 40% and 20% by the Company, YCIH and Infrastructure Investment Company respectively, was established for the purpose of investment, financing, construction and operation of the Anning Phosphogypsum Comprehensive Utilization Project. As represented by the Directors, the Company’s participation in the Anning Phosphogypsum Comprehensive Utilization Project is not only in line with the work requirements as stipulated in the policies of the Yunnan Provincial Party Committee and the Yunnan provincial government on accelerating the comprehensive utilization of Phosphogypsum, but is also an initiative for the Company to focus on its own development strategy to promote the green and low carbon transformation and upgrading.

#### 1. Reasons for the Guarantee Agreement

To cope with the funding requirements of project construction, on 10 October 2025, Building Materials Technology Company, as the investment entity of the Anning Phosphogypsum Comprehensive Utilization Project, entered into a fixed asset loan agreement with Anning Rural Credit Cooperative Caopu Branch (the “**Loan Agreement**”), pursuant to which Anning Rural Credit Cooperative Caopu Branch agreed to grant a loan with the principal amount of not exceeding RMB84 million (the “**Loan**”) to Building Materials Technology Company, subject to the terms and conditions stipulated therein. Pursuant to a written agreement between Building Materials Technology Company and Phosphogypsum Company, the account for receiving and using the loan shall be jointly managed by both parties and supervised by Anning Rural Credit Cooperative Caopu Branch. YCIH, as the controlling shareholder of Building Materials Technology Company, provides a joint and several liability guarantee for the Loan. On such basis, Phosphogypsum

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Company, as the management and operation entity of the Anning Phosphogypsum Comprehensive Utilization Project, is also required by Anning Rural Credit Cooperative Caopu Branch to provide joint and several liability guarantee for the Loan.

To assess the Group's risk exposure under the Guarantee Agreement, we have considered and performed the following due diligence tasks:

(i) Purpose of the Loan and repayment schedule

As advised by the Directors, the entire Loan shall be applied for project construction of the Anning Phosphogypsum Comprehensive Utilization Project, and repayment of the Loan shall be funded by the cash inflows to be generated from the future operations of the Project. With this being the case, we have requested the Company to provide us with the feasibility study, development and roll-out plan of the Project, and the associated repayment schedule of the Loan. From the aforesaid documents, it is noted that the Anning Phosphogypsum Comprehensive Utilization Project is expected to put into operation in 2025. Thereafter, sufficient funds are expected to be generated for repayment of the Loan together with the accrued interests quarterly a year and the Loan shall be fully repaid by 2035.

As further advised by the Directors, to ensure the successful development and roll-out of the Project, the Company shall establish a regular work reporting system and implement performance-linked compensation assessment to create additional incentive for the management of Phosphogypsum Company. The Company will also closely supervise the management of the Project, including but not limited to its fund usage and daily financial management, as well as its operational plans and decisions on investment options.

Leveraging on the supportive government policies, the resource and brand advantages of YCIH, the Company's expertise on technology research and development and experience in Phosphogypsum production, as well as the market competitiveness of Infrastructure Investment Company, prospects of the Anning Phosphogypsum Comprehensive Utilization Project is likely to be positive.

(ii) Background of Building Materials Technology Company

As advised by the Directors, established in 2011, Building Materials Technology Company is a subsidiary of YCIH Group with registered capital of RMB256 million. It is one of the largest building aluminum alloy formwork, building construction external climbing frame, aluminum alloy doors and windows professional suppliers in southwestern China. The company possesses a total of seven qualifications, eight invention patents, 217 utility model patents and 13 software copyrights. It has been rated as a national High-tech Enterprise, and selected as one of the "Top 100 Enterprises" and AAA credit enterprises in China's formwork scaffolding industry for many years.

Based on the financial information of Building Materials Technology Company we requested from the Company, Building Materials Technology Company recorded consolidated revenue of approximately RMB397.6 million in 2024. Its consolidated net asset value and total cash on hand were approximately RMB348.7 million and RMB47.0 million, respectively, as at 31 December 2024.

(iii) YCIH as the joint and several guarantor

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As disclosed under the sub-section headed “Information on YCIH” of this letter of advice, YCIH is held as to 97.35% by the Yunnan SASAC and as to 2.65% by the Yunnan Provincial Department of Finance and it operates under the supervision and regulation of the Yunnan SASAC.

YCIH Group (including the Group) is primarily engaged in three major businesses including, amongst others, construction engineering, infrastructure investment and modern logistics in the PRC and internationally.

Based on the financial information of YCIH we requested from the Company, YCIH has a strong financial standing of consolidated revenue and net profit of approximately RMB160.2 billion and RMB3.5 billion, respectively, in 2024, and net asset value of approximately RMB271.1 billion as at 31 December 2024.

Given (i) that the proposed usage of the Loan is entirely for the Anning Phosphogypsum Comprehensive Utilization Project and in this regard, a comprehensive feasibility study, development and roll-out plan of the Project, and the associated repayment schedule of the Loan have been formulated; and (ii) the scale of business operation and financial strength of Building Materials Technology Company, we concur with the Directors that the default risk of the Loan is relatively low and manageable.

In the event that the Loan is really defaulted, the joint and several guarantee provided by YCIH, a strong state-owned enterprise with sound financial standing, could effectively mitigate the Group’s risk exposure.

(iv) Possible financial effect of the guarantee on the Group

As confirmed by the Directors, the Guarantee Agreement would have no material impact on the Group’s daily operations and revenue stream, and cash flow position. In the event that the Loan is defaulted, the Directors advised us that the Company will actively negotiate with Building Materials Technology Company and YCIH to determine the sequence and amount of guarantee liability to be assumed. The Directors estimated that the maximum guarantee liability and risk exposure under the Guarantee Agreement is approximately RMB84.74 million. Comparing such amount to the consolidated net asset value of the Group of approximately RMB1.2 billion as at 30 June 2025, the Directors expected that the Group’s financial position would not be materially affected.

Taking into consideration that (i) the Anning Phosphogypsum Comprehensive Utilization Project is significant and a milestone investment for the future advancement of the Group; (ii) the Loan shall be utilized to satisfy the funding requirements of the Anning Phosphogypsum Comprehensive Utilization Project in order to accelerate and facilitate its development; (iii) the Group’s risk exposure under the Guarantee Agreement is likely to be low and manageable; and (iv) the Guarantee Agreement is not expected to have material impact on the Group’s financial position, we are of the view that the Guarantee Agreement is in the interests of the Company and the Shareholders as a whole although it is not conducted in the ordinary and usual course of business of the Group.

### **2. Principal terms of the Guarantee Agreement**

Pursuant to the Guarantee Agreement dated 17 November 2025, Phosphogypsum Company agreed to provide joint and several liability guarantee for the Loan with nil guarantee fee. The guaranteed period shall be three years from the date of expiration of the term of the Loan Agreement and the Loan thereunder.

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As aforesaid, besides Phosphogypsum Company, YCIH also agreed to provide joint and several liability guarantee for the Loan with nil guarantee fee. We have therefore requested the Company to provide us with a copy of the relevant guarantee agreement entered into between YCIH and Anning Rural Credit Cooperative Caopu Branch. Based on our review of the said guarantee agreement, it is noted that its major terms and conditions are comparable to those of the Guarantee Agreement, and the guarantee to be provided by Phosphogypsum Company is identical to the guarantee liability assumed by YCIH.

Moreover, in order to assess the fairness and the reasonableness of the nil guarantee fee arrangement, we have reviewed the announcements for connected transactions involving the provision of guarantee by companies listed on the Stock Exchange as announced within the 12-month period prior to 17 November 2025, being the date of the Guarantee Agreement (the “**Comparables**”). To the best of our knowledge and as far as we are aware, we have identified nine Comparables. We consider them exhaustive based on the above criteria and are fair and representative to provide a reference for the recent connected transactions involving the provision of guarantee by listed issuers in such period.

On a separate note, Shareholders should note that the businesses, operations and prospects of the Group are not the same as the Comparables. Nonetheless, we consider it reasonable to take into account broader market practice to gain a comprehensive understanding of the market landscape in guarantee fees. The Comparables are to offer a benchmark that reflects the prevailing market practice in different situations.

Information on the Comparables are summarized as follows:

Date of announcement	Company name (stock code)	Maximum guaranteed amount	% of guarantee fee to the guaranteed amount (per annum)	Duration of the guarantee
13 November 2025	GR Life Style Company Limited (108)	RMB130 million	1%	3 years
26 August 2025	CaoCao Inc. (2643)	RMB90 million	Not more than 0.5%	3 years
14 August 2025	Lygend Resources & Technology Co., Ltd. (2245)	USD891 million	Nil	Until full fulfilment of liabilities
28 April 2025	Shanxi Installation Group Co., Ltd. (2520)	USD11 million	Nil	12 years
11 April 2025	E-Commodities Holdings Limited (1733)	RMB107.8 million	Nil	3 years
11 April 2025	GR Life Style Company Limited (108)	RMB700 million	1%	10 years

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Date of announcement	Company name (stock code)	Maximum guaranteed amount	% of guarantee fee to the guaranteed amount (per annum)	Duration of the guarantee
11 February 2025	China Vanadium Titano-Magnetite Mining Company Limited (893)	RMB930 million	1.25%	Up to 31 December 2027
17 January 2025	E-Commodities Holdings Limited (1733)	USD3.773 million	Nil	3 years
17 January 2025	E-Commodities Holdings Limited (1733)	RMB161.7 million	Nil	3 years

*Source: the Stock Exchange's website (www.hkex.com.hk)*

As depicted by the table above, among the nine Comparables, guarantee fee was charged by four of the listed companies. With this being the case, the nil guarantee fee arrangement is not uncommon in the market.

Judging from the fact that (i) the entering into of the Guarantee Agreement is required by Anning Rural Credit Cooperative Caopu Branch; (ii) the major terms and conditions of the guarantee provided by YCIH, as the other joint and several guarantor of the Loan, are comparable to those of the Guarantee Agreement and the guarantee to be provided by Phosphogypsum Company is identical to the guarantee liability assumed by YCIH; and (iii) based on our independent market research, the nil guarantee fee arrangement is not uncommon in the market, we consider that the terms of the Guarantee Agreement are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned.

### **V. RECOMMENDATION**

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of each of the three transactions and/or connected transactions are on normal commercial terms and are fair and reasonable so far as the Independent Shareholders are concerned; and (ii) the three transactions and/or connected transactions are in the interests of the Company and the Shareholders as a whole and except for the Guarantee Agreement, the three transactions and/or connected transactions are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board

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Committee to advise the Independent Shareholders to vote in favour of the respective resolutions to be proposed at the EGM to approve of the three transactions and/or connected transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

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

*Ms. Doris Sing is a licensed person and responsible officer of VBG Capital Limited registered with the Securities and Futures Commission to carry on Type 6 (advising on corporate finance) regulated activity under the SFO and has over 21 years of experience in corporate finance.*

**1. FINANCIAL INFORMATION OF THE GROUP**

Financial information of the Group as set out in the audited consolidated financial statements of the Company for each of the three years ended December 31, 2022, 2023 and 2024 and the 2025 unaudited consolidated financial statements of the Company for the six months ended June 30, 2025 was disclosed in the following documents which have been published on the websites of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ynhnt.com](http://www.ynhnt.com)):

(a) the Company's annual report for the year ended December 31, 2022, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2023/0426/2023042600554.pdf>

(b) the Company's annual report for the year ended December 31, 2023, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2024/0426/2024042604157.pdf>

(c) the Company's annual report for the year ended December 31, 2024, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0425/2025042502943.pdf>

(d) the Company's interim report for the six months ended June 30, 2025, which can be accessed by the direct hyperlink below:

<https://www1.hkexnews.hk/listedco/listconews/sehk/2025/0905/2025090501220.pdf>

**2. INDEBTEDNESS STATEMENT**

According to the 2025 unaudited consolidated financial statements of the Company, as at December 31, 2025, being the latest practicable date for the purpose of compiling this indebtedness statement of the Group prior to the printing of this circular, the indebtedness of the Group was as follows:

**(a) Borrowings and guarantees**

(i) The total borrowings of the Group were approximately RMB361.39 million, among these:

i) The borrowings repayable within one year amounted to RMB349.19 million (including bank loans of RMB331.62 million), accounting for 96.62% of the total borrowings.

ii) The bank borrowings amounted to RMB331.62 million, accounting for 91.76% of the total borrowings, with a weighted average effective interest rate of 4.4%. Specifically, the parent company's bank borrowings amounted to RMB233.02 million, while the subsidiary's bank borrowings amounted to approximately RMB98.60 million. Among our bank borrowings, the one

guaranteed by YCIH amounted to RMB126.70 million. For the RMB114.50 million portion, the Company have provided additional asset collateral (the mortgaged property is real estate valued at RMB81.42 million, with its book value as at December 31, 2025, being RMB50.47 million).

Among the subsidiary's bank borrowings, the one guaranteed by the Company amounted to RMB48.90 million.

- (ii) On November 17, 2025, Phosphogypsum Company, a subsidiary of the Company, entered into the Guarantee Agreement with conditions for effectiveness with Anning Rural Credit Cooperative Caopu Branch to provide a joint and several liability guarantee for the fixed asset loan of up to RMB84 million of Building Materials Technology Company. As at the Latest Practicable Date, the Guarantee Agreement has not yet taken effect and to be approved by the general meeting of the Company.
- (iii) Save as disclosed above, the Group does not have any unsecured debt securities and all other bank borrowings are not secured or mortgaged.

**(b) Contract liabilities**

As at 31 December 2025, the Group had contract liabilities of approximately RMB7.59 million. Contract liabilities are recognised when payments are received or payments are due (whichever are earlier) from a customer before the Group transfers the related products or services. Contract liabilities are recognised as revenue when the Group fulfils the contract (i.e., transfers control of the related products or services to the customer).

**(c) Lease liabilities**

As at 31 December 2025, the Group had lease liabilities (excluding those due within one year) of approximately RMB25.71 million. The reclassified lease liabilities due within one year amounted to RMB22.28 million.

**(d) Contingent Liabilities**

As at 31 December 2025, there were 232 unresolved cases arising from disputes over accounts payable to suppliers and labour contract disputes with employees. Among these, 191 cases have been adjudicated or settled through mediation, with the Group having recognised the associated costs and expenses in accordance with PRC ASBE. The 41 unresolved cases involved principal amounts of approximately RMB55.08 million, with contingent liabilities arising from these pending litigations – including additional interest payable by the Group and litigation expenses – amounting to approximately RMB1.06 million.

Save as disclosed above, the Group has no other contingent liabilities that are required to be disclosed.

**(e) Others**

Save as disclosed above and apart from intra-group liabilities, the Group did not have any outstanding mortgages, charges, debt securities, term loans and overdrafts, hire purchase commitments, liabilities under acceptances (other than normal trade bills) or acceptance credits, other borrowings or indebtedness in the nature of borrowings or any other guarantees as at December 31, 2025.

**3. WORKING CAPITAL**

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

**4. FINANCIAL AND TRADING PROSPECTS**

According to the green and low-carbon development plans of the PRC and Yunnan Province, the Group will take "becoming a frontrunner in the green building materials field that integrates green and low-carbon building materials, comprehensive utilization of industrial solid waste and urban construction waste, commerce and new energy logistics systems" as the primary development direction. This aims to optimize the industrial layout and structure, expand related new businesses, promote the green and low-carbon transformation and upgrading of traditional businesses, enhance comprehensive competitiveness, and seize the development opportunities of industrial circular economy and industrial park economy in Yunnan Province.

Firstly, the Group will continue to facilitate the comprehensive utilization project of Phosphogypsum resources and promote the transformation and upgrading of the Company, playing an active role in improving the comprehensive utilization rate of Phosphogypsum, resolutely fighting the tough battle of Phosphogypsum governance in Yunnan Province, and improving the security and resilience of the industrial chain and supply chain. Secondly, the Group will continue to deploy and optimize its regional green and low-carbon system. This involves promoting the planning, investment and construction of key projects such as the Zhaotong and Dehong green new material production bases. Thirdly, the Group will engage in the acquisition of new energy equipment and facilities, green and low-carbon upgrading and transformation, and related equipment procurement. Examples include procuring pure electric transporters and other green new energy equipment and facilities.

Looking ahead, the national plans for future economic development. According to the recommendations of the Central Committee of the Communist Party of China on formulating the 15th Five-Year Plan for National Economic and Social Development, one of the main objectives for economic and social development during the period of "the 15th Five-Year Plan" is to achieve significant progress in high-quality development, with economic growth maintained within a reasonable range. Additionally, the state has outlined overall plans for building a modern infrastructure system, promoting high-quality development in the real estate sector, and expanding effective investment. Furthermore, Yunnan Province will continue to implement its "Two Major Initiatives" (national strategic projects and security capacity building in key sectors) and "Two New Programs" (large-scale equipment upgrades and consumer goods trade-in schemes). The "Two Major Initiatives" primarily target infrastructure and public service projects. With the ongoing

release and implementation of the provincial-level major project list and the “Top Priority” project list, Yunnan’s economic growth is expected to maintain a steady pace in the coming years. These initiatives will provide a favorable external environment for the future development of the Group, and will facilitate the Group’s gradual expansion of business.

## **5. IMPACT OF THE MAJOR TRANSACTION**

The 2026-2028 Financial Services Framework Agreement, does not, and the Group expects that it will not, have any material impact on the Group’s earnings, assets and liabilities.

The Group recognizes one-off new right-of-use assets of RMB25.32 million in 2025 under the Leasing Contract, depreciates right-of-use assets every month using the straight-line method during the lease term of 3 years (with a monthly depreciation amount of approximately RMB0.70 million), and recognizes unrecognized financing expenses on a monthly basis (up to RMB0.09 million per month). Meanwhile, the Group correspondingly increases lease liabilities when recognizing these financing expenses monthly, and correspondingly reduces lease liabilities when paying rentals. Apart from the above, the Leasing Contract does not, and the Group expects that it will not, have any material impact on the Group’s earnings, assets and liabilities.

As at the effective date of the Guarantee Agreement, providing guarantee will not have any immediate impact on the Group’s profits, assets, or liabilities. However, if the guaranteed party fails to fulfill the repayment obligations under the fixed asset loan agreement, the Group (specifically, the Phosphogypsum Company) shall jointly with YCIH (the another guarantor) assume guarantee liability for the outstanding debts upon maturity (with the maximum guarantee obligation and risk exposure of Phosphogypsum Company as the Guarantor aggregating to RMB84.74 million and that of the Company aggregating to RMB84.74 million), affecting the Group’s earnings, assets and liabilities. Apart from the above, the Guarantee Agreement does not, and the Group expects that it will not, have any material impact on the Group’s earnings, assets and liabilities except mentioned above.

## 1. RESPONSIBILITY STATEMENTS

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

## 2. MATERIAL ADVERSE CHANGE

As at the Latest Practicable Date, the Directors confirmed that there had not been any material adverse change in the financial or trading position of the Group since December 31, 2024, the date to which the latest published audited consolidated financial statements of the Group were made up.

## 3. INTERESTS AND SHORT POSITIONS OF SUBSTANTIAL SHAREHOLDERS IN THE SHARES AND UNDERLYING SHARES

As at the Latest Practicable Date, the Directors confirm that the following parties (other than the Directors, Supervisors or chief executive of the Company) had an interest or short position in the Shares or underlying Shares, which is required to be disclosed to the Company under Divisions 2 and 3 of Part XV of the SFO and has been entered in the register kept by the Company according to Section 336 of the SFO:

Name	Capacity/Nature of interest	Class of Shares	Number of Shares		Long/Short (share) position	corresponding class of issued shares	Approximate percentage of the number of the shares	Approximate percentage of shareholding in the total issued share capital
			Shares	Long/Short				
YCIH <sup>(Note 1)</sup>	Beneficial owner	Domestic Shares	228,600,000	Long position		73.18%	51.22%	
	Interest held by controlled corporations <sup>(Note 2)</sup>	Domestic Shares	51,450,000	Long position		16.47%	11.53%	
Total			280,050,000	Long position		89.65%	62.75%	
YOIC <sup>(Note 2)</sup>	Beneficial owner	Domestic Shares	51,450,000	Long position		16.47%	11.53%	
KMEIC <sup>(Note 3)</sup>	Beneficial owner	Domestic Shares	32,340,000	Long position		10.35%	7.25%	
Zoomlion Heavy Industry Science and Technology Co., Ltd. <sup>(Note 4)</sup>	Interest held by controlled corporations <sup>(Note 4)</sup>	H Shares	13,388,000	Long position		10.00%	3.00%	
Zoomlion H.K. Holding Co., Limited <sup>(Note 4)</sup>	Interest held by controlled corporations <sup>(Note 4)</sup>	H Shares	13,388,000	Long position		10.00%	3.00%	
Zoomlion International Trading (H.K.) Co., Limited <sup>(Note 4)</sup>	Beneficial owner	H Shares	13,388,000	Long position		10.00%	3.00%	

Name	Capacity/Nature of interest	Class of Shares	Number of Shares (share)	Long/Short position	Approximate percentage of the number of the corresponding class of issued Shares	Approximate percentage of shareholding in the total issued share capital
China Resources Company Limited <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
China Resources Inc. <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
CRC Bluesky Limited <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
China Resources (Holdings) Company Limited <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
CRH (Cement) Limited <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
China Resources Building Materials Technology Holdings Limited <sup>(Note 5)</sup>	Interest held by controlled corporations <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
China Resources Cement Holdings (Hong Kong) Limited <sup>(Note 5)</sup>	Beneficial owner <sup>(Note 5)</sup>	H Shares	40,164,000	Long position	30.00%	9.00%
Kunming Iron & Steel Holdings Co. Ltd.	Beneficial owner	H Shares	12,360,300	Long position	9.23%	2.77%
Hua An Fund Management Co., Ltd.	Others <sup>(Note 6)</sup>	H Shares	12,350,000	Long position	9.22%	2.77%
	Others <sup>(Note 6)</sup>	H Shares	8,137,000	Long position	6.08%	1.82%
Total:			20,487,000	Long position	15.30%	4.59%
Hua An Fund – QDII single asset management plan of YCIC Investment	Others <sup>(Note 7)</sup>	H Shares	8,137,000	Long position	6.08%	1.82%
Yunnan Communications Investment & Construction Group Co., Ltd. <sup>(Note 7)</sup>	Others <sup>(Note 7)</sup>	H Shares	8,137,000	Long position	6.08%	1.82%
YCIC Investment Co., Ltd. <sup>(Note 7)</sup>	Beneficial owner	H Shares	8,137,000	Long position	6.08%	1.82%
	Beneficial owner	H Shares	8,137,000	Loanable shares	6.08%	1.82%

Name	Capacity/Nature of interest	Class of Shares	Number of Shares (share)	Long/Short position	corresponding class of issued Shares	Approximate percentage of the number of the shares in the total issued share capital
Hua An Fund – QDII single asset management plan of Yunnan State Farms	Others <sup>(Note 8)</sup>	H Shares	12,350,000	Long position	9.22%	2.77%
Yunnan State Farms Group Co., Ltd. <sup>(Note 8)</sup>	Beneficial owner	H Shares	12,350,000	Long position	9.22%	2.77%
Yunnan Industrial Investment Holdings Group Co., Ltd.	Beneficial owner	H Shares	12,500,000	Long position	9.34%	2.80%
YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP CO., LTD. <sup>(Note 9)</sup>	Interest held by controlled corporations <sup>(Note 9)</sup>	H Shares	12,350,000	Long position	9.22%	2.77%
Yunnan Energy Investment (H K) Co. Limited <sup>(Note 9)</sup>	Beneficial owner	H Shares	12,350,000	Long position	9.22%	2.77%
HWABAO TRUST CO., LTD. <sup>(Note 10)</sup>	Trustee <sup>(Note 10)</sup>	H Shares	12,360,300	Long position	9.23%	2.77%

*Notes:*

- (1) Yunnan SASAC holds 97.35% equity interest in YCIH and Yunnan Provincial Department of Finance (雲南省財政廳) holds 2.65% equity interest in YCIH.
- (2) YOIC 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) Administration Commission of Kunming Economic and Technological Development Zone (昆明經濟技術開發區管理委員會) holds 91.73% equity interest in KMEIC and Yunnan Provincial Department of Finance (雲南省財政廳) holds 8.27% equity interest in KMEIC.
- (4) 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).
- (5) 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 Building Materials Technology Holdings Limited (華潤建材科技控股有限公司), whereas Commotra Company Limited (合貿有限公司) directly holds approximately 0.09% of the issued share capital of China Resources Building Materials Technology Holdings Limited (華潤建材科技控股有限公司), 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).

(6) Hua An Fund Management Co., Ltd. (華安基金管理有限公司) is the asset manager of two asset management plan products, (i) Hua An Fund – QDII single asset management plan of Yunnan State Farms, which has been terminated and entered into liquidation from July 1, 2025; and (ii) Hua An Fund – QDII single asset management plan of YCIC Investment, which has been terminated and entered into liquidation from October 14, 2025.

(7) YCIC Investment Co., Ltd. (雲南交投集團投資有限公司) is wholly-owned by Yunnan Communications Investment & Construction Group Co., Ltd. (雲南省交通投資建設集團有限公司). YCIC Investment Co., Ltd. (雲南交投集團投資有限公司) invested in the underlying Shares issued by the Company as client through Hua An Fund – QDII single asset management plan of YCIC Investment. By virtue of the SFO, Yunnan Communications Investment & Construction Group Co., Ltd. (雲南省交通投資建設集團有限公司) is deemed to be interested in the 8,137,000 H Shares held in the Hua An Fund – QDII single asset management plan of YCIC Investment.

(8) Yunnan State Farms Group Co., Ltd. (雲南農墾集團有限公司) invested in the underlying Shares issued by the Company as client through Hua An Fund – QDII single asset management plan of Yunnan State Farms.

(9) Yunnan Energy Investment (H K) Co. Limited is wholly-owned by YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP CO., LTD. By virtue of the SFO, YUNNAN PROVINCIAL ENERGY INVESTMENT GROUP CO., LTD is deemed to be interested in the 12,350,000 H Shares held by Yunnan Energy Investment (H K) Co. Limited.

(10) By virtue of the SFO, HWABAO TRUST CO., LTD, as trustee, is deemed to be interested in the 12,360,300 H Shares held by HWABAO OVERSEAS INVESTMENT SERIES 2 NO 42-8 QDII SINGLE MONEY TRUST.

Save as disclosed above, as at the Latest Practicable Date, to the knowledge of the Directors, no other person (other than the Directors, Supervisors or chief executive of the Company) had any interests or short positions in the Shares or underlying Shares which are required to be disclosed under Divisions 2 and 3 of Part XV of the SFO or recorded in the register as specified in Section 336 of the SFO.

#### **4. DISCLOSURE OF INTEREST OF DIRECTORS AND CHIEF EXECUTIVE**

As at the Latest Practicable Date, none of the Directors and chief executive of the Company and their respective associates had any interests and/or short positions in the Shares, underlying Shares or debentures of the Company or its associated corporations which are required to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and/or short positions which they have taken or which they are deemed to have taken under such provisions of the SFO), or which were required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO, or otherwise required to be notified to the Company pursuant to the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix C3 to the Listing Rules.

**5. DIRECTORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS**

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

<b>Name of Director</b>	<b>Position held in the relevant Shareholder</b>
Yang Jia	Assistant to the General Manager of YCIH International Department and YOIC
Jin Ming	Full-time external director of KMEIC

**6. COMPETING INTEREST**

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

**7. SERVICE CONTRACTS**

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

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

As at the Latest Practicable Date, none of the Directors or Supervisors had any interest in any assets which have been, since December 31, 2024 (being the date to which the latest published audited consolidated financial statements of the Company were made up), acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group.

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

**9. EXPERT'S QUALIFICATION AND CONSENT**

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

<b>Name</b>	<b>Qualifications</b>
VBG Capital Limited	a corporation licensed to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the SFO

(b) As at the Latest Practicable Date, the expert mentioned in paragraph (a) above did not have any shareholding in the Group nor any right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in the Group.

(c) The expert has given and has not withdrawn its consent to the issue of this circular, with the inclusion of its letter and references to its name in the form and context in which they appear.

(d) The letter and recommendation given by VBG Capital Limited are given as at the date of this circular for incorporation herein.

(e) The expert did not have direct or indirect interest in any assets which have been acquired or disposed of by, or leased to, or which are proposed to be acquired or disposed of by, or leased to, any member of the Group since December 31, 2024, being the date to which the latest published audited consolidated financial statements of the Group were made up.

**10. JOINT COMPANY SECRETARIES**

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

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

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

**11. MATERIAL CONTRACTS**

Except the Guarantee Agreement with effective terms that mentioned in the Circular, the Group has not entered into any material contract (not being contracts entered into in the ordinary course of business of the Group) within the two years immediately preceding the date of this circular.

**12. LITIGATION**

As at the Latest Practicable Date, the Group was not engaged in any litigation or arbitration or claim of material importance and, so far as the Directors were aware, no litigation or claims of material importance are pending or threatened by or against any member of the Group.

**13. DOCUMENTS ON DISPLAY**

Copies of the following document will be published on the websites of the Hong Kong Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and the Company ([www.ynhnt.com](http://www.ynhnt.com)) for a period of 14 days from the date of this circular:

- (i) 2026-2028 Financial Services Framework Agreement;
- (ii) Leasing Contract;
- (iii) Guarantee Agreement; and
- (iv) the written consent referred to in the section headed “Expert’s Qualification and Consent” in this appendix.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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雲建綠砼  
— GHPC —

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

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

**(Stock Code: 1847)**

### NOTICE OF THE EXTRAORDINARY GENERAL MEETING

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (the “EGM”) of YCIH Green High-Performance Concrete Company Limited (the “Company”) will be held at 10:00 a.m. on Wednesday, March 4, 2026 at Conference Room No. 908, 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC to consider and, if appropriate, approve, with or without amendments, the following resolutions. Unless otherwise specified, capitalized terms used in this notice shall have the same meanings as those defined in the circular of the Company dated February 9, 2026 (the “Circular”).

#### ORDINARY RESOLUTIONS

1. To consider, approve and ratify:
  - (i) The 2026-2028 Financial Services Framework Agreement entered into between the Company and YCIH, and the deposit services, bills acceptance and discount services and factoring service contemplated thereunder (including the proposed annual caps therefor); and
  - (ii) the Board and person(s) duly authorized by the Board, jointly or severally, doing, approving and implementing all such acts and things as he/she may in his/her discretion consider necessary or desirable in respect of this ordinary resolution 1;
2. To consider, approve and ratify:
  - (i) The proposed new 2025 annual cap under the Land and Property Leasing Framework Agreement; and
  - (ii) the Board and person(s) duly authorized by the Board, jointly or severally, doing, approving and implementing all such acts and things as he/she may in his/her discretion consider necessary or desirable in respect of this ordinary resolution 2;
3. To consider, approve and ratify the Guarantee Agreement and the major transaction and connected transaction contemplated thereunder.

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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

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

Kunming, China, February 9, 2026

*As at the date of this notice, the Board comprises Mr. Li Zhangjian, Mr. Zhang Long, Mr. Liu Zhen and Ms. Wang Fang (employee Director) as executive Directors; Ms. Yang Jia and Mr. Jin Ming as non-executive Directors; and Mr. Wong Kai Yan Thomas, Mr. Yu Dingming and Mr. Li Hongkun as independent non-executive Directors.*

*Notes:*

1. To determine the list of Shareholders entitled to attend and vote at the EGM, the register of members of the Company will be closed from Friday, February 27, 2026 to Wednesday, March 4, 2026 (both days inclusive), during which no transfer of Shares will be effected. Shareholders whose names appear on the Company's register of members on Wednesday, March 4, 2026 shall be entitled to attend and vote at the EGM. To be eligible to attend and vote at the EGM, all transfer documents shall be delivered, no later than 4:30 p.m. on Thursday, February 26, 2026, to the H Share Registrar, Computershare Hong Kong Investor Services Limited, at Shops 1712-1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong (for holders of H Shares), or to the Board office of the Company, at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC (for holders of Domestic Shares).
2. Each Shareholder entitled to attend and vote at the EGM may, by completing the form of proxy of the Company, appoint one or more proxies to attend and vote at the EGM on his/her/its behalf. A proxy need not be a Shareholder. With respect to any Shareholder who has appointed more than one proxy, such proxies may only exercise their voting rights in a poll.
3. The form of proxy shall be signed by the appointer or his/her attorney duly authorized in writing or, in the case of a legal person, must be either executed under its common seal or under the hand of its legal representative, director or attorney duly authorized.
4. In order to be valid, the form of proxy must be deposited, for the holders of H Shares, at the H Share Registrar, Computershare Hong Kong Investor Services Limited, at 17M Floor, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong, or for the holders of Domestic Shares, at the Board office of the Company at 5/F and 9/F, YCIH Development Building, 188 Linxi Road, Information Industrial Base, Economic and Technological Development Zone, Kunming, Yunnan Province, the PRC not less than 24 hours prior to the holding of the EGM or any adjournment thereof. If the form of proxy is signed by another person under a power of attorney or other authorization documents given by the appointer, such power of attorney or other authorization documents shall be notarized. The notarized power of attorney or other authorization documents shall, together with the form of proxy, be deposited at the specified place at the time set out in such form of proxy. Completion and return of the form of proxy will not preclude Shareholders from attending and voting in person at the EGM or any adjourned meetings should they so wish.
5. Shareholders shall produce their identity documents and supporting documents in respect of the Shares held when attending the EGM. If Shareholders appoint an authorized representative to attend the EGM, the authorized representative shall produce his/her identity documents and a notarially certified copy of the relevant authorization instrument signed by the

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## NOTICE OF THE EXTRAORDINARY GENERAL MEETING

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board of directors of the company or other authorized persons of the Shareholders or other notarially certified documents allowed by the Company. Proxies shall produce their identity documents and the form of proxy signed by the Shareholders or their authorized representative(s) when attending the EGM.

6. The Company shall have the right to request the proxies attending the EGM on behalf of the Shareholders to produce their identity documents.
7. In the case of joint Shareholders, the vote cast by the senior Shareholder, whether in person or by proxy, will be accepted to the exclusion of the votes of the other joint Shareholders, and for this purpose seniority shall be determined by the order in which the names of the relevant joint Shareholders stand on the register of members of the Company.

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

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

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

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

Email address: [ynhnt@ynhnt.com](mailto:ynhnt@ynhnt.com)