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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 a licensed security dealer or other registered institution in securities, bank manager, solicitor, professional accountant or other professional adviser.

If you have sold or transferred all your shares in China National Building Material Company Limited\*, you should at once hand this circular, together with the enclosed form of proxy, to the purchaser or the transferee or to the licensed security dealer, registered institution in securities or other agent through whom the sale or transfer was effected for transmission to the purchaser or the transferee.

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**CNBM**

## **China National Building Material Company Limited\***

**中國建 材 股 份 有 限 公 司**

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

(Stock Code: 3323)

- (1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**  
**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**(3) CONTINUING CONNECTED TRANSACTION IN RELATION  
TO THE NEW MASTER AGREEMENTS**  
**(4) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN  
RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**  
**(5) CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION  
IN RELATION TO THE LOAN FRAMEWORK AGREEMENT**  
**AND**  
**(6) NOTICE OF THE EGM**

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



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Capitalized terms used on this cover page shall have the same meanings as those defined in the section headed "Definitions" in this circular.

A letter from the Board is set out on pages 1 to 40 of this circular. A letter from the Independent Board Committee is set out on pages 41 to 42 of this circular. A letter from Donvex Capital Limited, the Independent Financial Adviser, containing its advice to the Independent Board Committee and the Independent Shareholders of the Company, is set out on pages 43 to 82 of this circular.

The notice convening the EGM to be held at Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the People's Republic of China at 2:00 p.m. on Monday, 19 December 2022, is contained in this circular. Shareholders are advised to read the notice and to complete and return the enclosed form of proxy for use at the EGM in accordance with the instructions printed thereon.

Whether or not you are able to attend the EGM, please complete and return the enclosed form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than at 2:00 p.m. on Sunday, 18 December 2022) or any adjournment thereof (as the case may be).

Completion and return of the form or proxy will not preclude you from attending and voting in person at the EGM or any adjournment thereof should you so wish and in such event, the form of proxy shall be deemed to be revoked.

*References to time and dates in this circular are to Hong Kong time and dates.*

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## DEFINITIONS

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*In this circular, the following expressions have the following meanings unless the context requires otherwise:*

“Articles of Association”	the articles of association of the Company
“associate”	has the meaning given to it in the Listing Rules
“Board”	the board of Directors of the Company
“BNBM”	Beijing New Building Material Public Limited Company* (北新集團建材股份有限公司), a company incorporated under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000786)
“BNBMG”	Beijing New Building Material (Group) Co., Ltd. (北新建材集團有限公司)
“Building Materials Academy”	China Building Materials Academy Co., Ltd. (中國建築材料科學研究總院有限公司)
“CBIRC”	China Banking and Insurance Regulatory Commission (中國銀行保險監督管理委員會)
“CNAFC”	China National Association of Finance Companies (中國財務公司協會)
“CNBM Chizhou”	CNBM Chizhou New Materials Co., Ltd.* (池州中建材新材料有限公司), a Connected Subsidiary of the Company
“Company”	China National Building Material Company Limited* (中國建材股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Stock Exchange
“connected person”	has the meaning given to it in the Listing Rules

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## DEFINITIONS

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“Connected Subsidiary(ies)”	has the meaning given to it in the Listing Rules
“Deposit Cap(s)”	the proposed maximum daily balance of deposits including accrued interests placed by the Group with the Finance Company during the term of the Original Financial Services Framework Agreement and Financial Services Framework Agreement, as the case may be
“Director(s)”	director(s) of the Company
“Domestic Share(s)”	the ordinary shares with a nominal value of RMB1.00 each in the registered capital of the Company, which are subscribed for in RMB
“Donvex” or “Independent Financial Adviser”	Donvex Capital Limited, a licensed corporation to carry out regulated activities as defined under the SFO, being the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the terms and proposed annual caps of the Master Agreement on Mutual Provision of Products and Services, the Master Agreement on Mutual Provision of Engineering Services, Financial Services Framework Agreement, Loan Framework Agreement and their respective transactions contemplated thereunder (as far as the Financial Services Framework Agreement is concerned, it refers to deposit services only, and as far as the Master Agreement on Mutual Provision of Engineering Services is concerned, it refers to procurement of engineering services only)
“EGM”	the extraordinary general meeting of the Company to be held at Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC on Monday, 19 December 2022 at 2:00 p.m.
“Finance Company”	China National Building Material Group Finance Co., Ltd. (中國建材集團財務有限公司), a limited liability company incorporated under the laws of the PRC
“Financial Services Framework Agreement”	the framework agreement for the Finance Company’s provision of financial services entered into between the Company and the Finance Company dated 28 October 2022

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## DEFINITIONS

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“Group”	the Company and its subsidiaries from time to time
“H Share(s)”	the overseas listed foreign shares with a nominal value of RMB1.00 each in the share capital of the Company, which are listed on the Stock Exchange and subscribed for and traded in HK\$
“Hefei Institute”	Hefei Cement Research & Design Institute Corporation Ltd.* (合肥水泥研究設計院有限公司), a wholly owned subsidiary of Building Materials Academy
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“IFRS”	the International Financial Reporting Standards promulgated by the International Accounting Standards Board
“Independent Board Committee”	the committee of independent non-executive Directors, consisting of Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue, which has been formed to advise the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions
“Independent Shareholders”	the shareholders of the Company other than the Parent and its associates
“Latest Practicable Date”	21 November 2022, being the latest practicable date prior to the printing of this circular for ascertaining certain information contained herein
“Listing Rules”	the Rules Governing the Listing of Securities on the Stock Exchange
“Loan Cap(s)”	the proposed maximum daily loan balance (including accrued interest) to be provided by Tianshan Cement to CNBM Chizhou during the term of the Loan Framework Agreement
“Loan Framework Agreement”	the framework agreement entered into between Tianshan Cement and CNBM Chizhou on the provision of loans on 28 October 2022

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## DEFINITIONS

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“Master Agreement on Mutual Provision of Engineering Services”	the Master Agreement on Mutual Provision of Engineering Services entered into between the Company and the Parent on 28 October 2022
“Master Agreement on Mutual Provision of Products and Services”	the Master Agreement on Mutual Provision of Products and Services entered into between the Company and the Parent on 28 October 2022
“New Master Agreement(s)”	Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services
“Non-Exempt Continuing Connected Transactions”	the transactions under the Master Agreement on Mutual Provision of Products and Services, the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services, the deposit services transactions under the Financial Services Framework Agreement, and the loan transactions under the Loan Framework Agreement
“Original Financial Services Framework Agreement”	the Financial Services Framework Agreement entered into between the Company and the Finance Company on 30 September 2019
“Original Master Agreement(s)”	Original Master Agreement on Mutual Provision of Products and Services and Original Master Agreement on Provision of Engineering Services
“Original Master Agreement on Mutual Provision of Products and Services”	the Master Agreement on Mutual Provision of Products and Services entered into between the Company and the Parent on 30 September 2019
“Original Master Agreement on Provision of Engineering Services”	the Master Agreement on Provision of Engineering Services entered into between the Company and the Parent on 30 September 2019
“Parent”	China National Building Material Group Co., Ltd.* (中國建材集團有限公司) (previously known as China National Building Materials Group Corporation (中國建築材料集團有限公司)), a state-owned limited liability company incorporated under the laws of the PRC and a controlling shareholder of the Company

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## DEFINITIONS

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“Parent Group”	collectively Parent and its subsidiaries (excluding the Group, but including Connected Subsidiaries of the Company)
“PBOC”	People’s Bank of China (中國人民銀行)
“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region of the PRC and Taiwan for the purpose of this circular
“RMB”	Renminbi, the lawful currency of the PRC
“Saima IOT”	Saima IOT Technology (Ningxia) Co., Ltd.* (賽馬物聯科技(寧夏)有限公司)
“SFO”	the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) (as revised, supplemented or otherwise modified from time to time)
“Share(s)”	ordinary shares of the Company with a nominal value of RMB1.00 each, comprising the Domestic Shares and H Shares
“Shareholder(s)”	holder(s) of ordinary shares of the Company
“Sinoma”	China National Materials Company Limited (中國中材股份有限公司), a joint stock company incorporated in the PRC with limited liability
“Sinoma International”	Sinoma International Engineering Co., Ltd.* (中國中材國際工程股份有限公司), a company whose A-shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970)
“Sinoma Group”	Sinoma and its subsidiaries which were merged with the Group
“Sinoma Parent”	China National Materials Group Corporation Ltd. (中國中材集團有限公司), a wholly-owned subsidiary of the Parent
“Stock Exchange”	The Stock Exchange of Hong Kong Limited

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## DEFINITIONS

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“Supervisor(s)”	the supervisor(s) of the Company
“Taishan Finance”	Taian Taishan Finance Investment Co., Ltd. (泰安市泰山財金投資有限公司)
“Taishan Investment”	Taian Taishan Investment Co., Ltd. (泰安市泰山投資有限公司)
“Tianshan Cement”	Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司), a subsidiary of the Company
“%”	Per cent

\* *For identification only*



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LETTER FROM THE BOARD

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CNBM

**China National Building Material Company Limited\***

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

*Executive Directors:*

Mr. Zhou Yuxian (*Chairman*)  
Mr. Chang Zhangli (*President*)  
Mr. Xiao Jiexiang  
Mr. Wang Bing

*Non-executive Directors:*

Ms. Li Xinhua  
Mr. Wang Yumeng  
Mr. Peng Shou  
Mr. Shen Yungang  
Ms. Fan Xiaoyan

*Independent Non-executive Directors:*

Mr. Sun Yanjun  
Mr. Liu Jianwen  
Mr. Zhou Fangsheng  
Mr. Li Jun  
Ms. Xia Xue

*Registered Office:*

Tower 2 (Building B)  
Guohai Plaza  
No. 17 Fuxing Road  
Haidian District  
Beijing  
The PRC

*Place of business in Hong Kong:*

5/F, Manulife Place  
348 Kwun Tong Road, Kowloon  
Hong Kong

25 November 2022

*To the shareholders of the Company*

Dear Sir or Madam,

- (1) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**  
**(2) PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**  
**(3) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE NEW MASTER AGREEMENTS**  
**(4) CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION IN RELATION TO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**  
**(5) CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE LOAN FRAMEWORK AGREEMENT AND**  
**(6) NOTICE OF THE EGM**

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## LETTER FROM THE BOARD

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### 1 INTRODUCTION

References are made to (i) the announcement of the Company dated 20 September 2022 in respect of the proposed change of executive Director, and (ii) the announcement of the Company dated 28 October 2022 in respect of the proposed amendments to the Articles of Association, the New Master Agreements entered into between the Company and the Parent, the Financial Services Framework Agreement entered into between the Company and Finance Company and the Loan Framework Agreement entered into between Tianshan Cement and CNBM Chizhou.

The Board announced that on 28 October 2022, the Company entered into the New Master Agreements with the Parent to renew the Original Master Agreements and the Financial Services Framework Agreement with Finance Company to renew the Original Financial Services Framework Agreement. The Original Master Agreements and Original Financial Services Framework Agreement governing respective continuing connected transactions thereunder will expire on 31 December 2022. The Group intends to continue to conduct such continuing connected transactions for the three years ending 31 December 2025 which will constitute continuing connected transactions with the Parent Group pursuant to the New Master Agreements and continuing connected transactions with Finance Company pursuant to the Financial Services Framework Agreement. The New Master Agreements both have a term of three years ending on 31 December 2025, pursuant to which the Group and the Parent Group have agreed to provide each other with and purchase from each other certain products and services and engineering services on a non-exclusive basis subject to the terms and conditions therein, respectively. The Financial Services Framework Agreement has a term of three years ending on 31 December 2025, pursuant to which Finance Company has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBIRC on a non-exclusive basis subject to the terms and conditions therein.

The Board also announced that on 28 October 2022, Tianshan Cement, a subsidiary of the Company, entered into the Loan Framework Agreement with CNBM Chizhou. The Loan Framework Agreement has a term of three years from the effective date of the Loan Framework Agreement, pursuant to which Tianshan Cement agreed to provide loan to CNBM Chizhou subject to the terms and conditions therein. The transactions contemplated thereunder constitute continuing connected transactions with CNBM Chizhou.

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## LETTER FROM THE BOARD

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Details of the arrangements of the above agreements are set out in the sections below.

The Parent held directly and indirectly 44.30% of the issued share capital of the Company as at the Latest Practicable Date and is therefore a controlling shareholder of the Company. Therefore, the members of the Parent Group, including Finance Company and connected subsidiaries of the Company are therefore connected persons of the Company for the purpose of the Listing Rules. Accordingly, the Non-Exempt Continuing Connected Transactions constitute continuing connected transactions of the Company under the Listing Rules. As one or more of the applicable percentage ratios (except the profit ratio) as defined in Rule 14.07 of the Listing Rules for the new annual caps of the Non-Exempt Continuing Connected Transactions exceed 5%, the Non-Exempt Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. The loan transactions contemplated under the Loan Framework Agreement also constitute a discloseable transaction, which is subject to the reporting and announcement requirements but is exempt from the shareholders' approval requirement of Chapter 14 of the Listing Rules. As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Deposit Caps exceeds 25%, the deposit services to be provided by the Finance Company to the Group are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. The deposit services transactions contemplated under the Financial Services Framework Agreement will also constitute a major transaction which is subject to the reporting, announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

The Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Non-Exempt Continuing Connected Transactions) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps, and to advise the Independent Shareholders on how to vote. Donvex has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

The main purposes of this circular are to provide you with (a) details of the proposed appointment of executive Director, (b) details of the proposed amendments to the Articles of Association, (c) details of the Non-Exempt Continuing Connected Transactions, (d) a letter from the Independent Board Committee, (e) a letter from the Independent Financial Adviser and (f) a notice of the EGM to seek the Shareholders' approval regarding (i) the proposed appointment of executive Director; (ii) the proposed amendments to the Articles of Association; (iii) the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps.

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## LETTER FROM THE BOARD

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No Shareholder will be required to abstain from voting on the ordinary resolution for approving the proposed appointment of executive Director and the special resolution for approving the proposed amendments to the Articles of Association. Apart from the Parent and its associates, no other Shareholder will be required to abstain from voting on the ordinary resolutions for approving the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps at the EGM. As at the Latest Practicable Date, the Parent and its associates directly and indirectly held 3,736,241,981 Shares, representing approximately 44.30% of total issued share capital of the Company.

### 2 PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 20 September 2022 in relation to the proposed change of executive Director. Mr. Fu Jinguang tendered his resignation as executive Director due to work adjustment. The Parent has notified the Company of its proposal to nominate Mr. Liu Yan as an executive Director. The proposed appointment of Mr. Liu Yan is subject to the approval of the Shareholders by way of ordinary resolution at the EGM.

The biographical details of Mr. Liu Yan as required under Rule 13.51(2) of the Listing Rules are set out below:

**Mr. Liu Yan**, born in November 1965, is the deputy secretary to the CPC Committee of the Company. Mr. Liu possesses extensive experience in corporate management. Mr. Liu has been a vice-president of Tianshan Cement since November 2022, a director of Gansu Qilianshan Cement Group Company Limited\* (甘肅祁連山水泥集團股份有限公司) since November 2022, the deputy secretary to the CPC Committee of the Company since September 2022, a director of China Jushi Co., Ltd.\* (中國巨石股份有限公司) since September 2022, the chairman of the board of Sinoma International since July 2020 and a vice president of the Company from May 2018 to September 2022. Mr. Liu was a vice president of China National Materials Company Limited\* (中國中材股份有限公司) from March 2010 to May 2018 and the chairman of the board of Sinoma Advanced Materials Co., Ltd.\* (中材高新材料股份有限公司) from January 2010 to December 2020. He was the president of Sinoma Science & Technology Co., Ltd. (“**Sinoma Science & Technology**”) from May 2003 to October 2009, a vice president of Sinoma Science & Technology from December 2001 to May 2003 and an associate dean of Nanjing Fiberglass R&D Institute Co., Ltd\* (南京玻璃纖維研究設計院) from November 1999 to December 2001. He served successively as assistant to the director, vice director and director of the Second Engineering Institute of Nanjing Fiberglass R&D Institute Co. Ltd\* (南京玻璃纖維研究設計院第二研究設計所) of the State Bureau of Building Materials Industry\* (國家建築材料工業局) and at the same time a vice general manager of Nanjing Shuangwei Industrial Co., Ltd.\* (南京雙威實業公司) from August 1985 to June 1999. Mr. Liu received a bachelor’s degree in silicate engineering from Nanjing Tech University\* (南京工業大學) in July 1985 and a master degree in inorganic non-metallic materials engineering from Nanjing Tech University\* (南京工業大學) in December 2006. He is a senior engineer and enjoys a special government allowance approved by the government. Mr. Liu was awarded the Outstanding Entrepreneur of the Building National Materials Industry\* (全國建材行業優秀企業家).

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## LETTER FROM THE BOARD

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It is proposed that Mr. Liu Yan, if appointed, will not receive any Director's remuneration from the Company during his term of office.

Save as disclosed above, as at the date of this circular, Mr. Liu Yan has confirmed that he (i) did not assume other offices in any member of the Group; (ii) was not related to any directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company or other members of the Group; (iii) did not have any interests in shares of the Company within the meaning of Part XV of the SFO; and (iv) did not hold any other directorships or other major appointments and qualifications in any listed companies in the past three years.

Save as disclosed above, as at the date of this circular, there is no information which is discloseable, nor is the Company aware that Mr. Liu Yan is/was involved in any of the matters required to be disclosed, pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

### **3 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION**

Reference is made to the announcement of the Company dated 28 October 2022 in relation to, among others, the proposed amendments to the Articles of Association. In order to meet the business needs of the Company, the Company intends to add the business relating to the manufacturing and sales of membrane materials, the production and sales of graphite-related products, the research and development, manufacturing and sales of machinery equipments, etc. into its business scope in accordance with the regulations of the Beijing Municipal Administration for Market Regulation. As certain of the expressions in original business scope of the Company have been revised or deleted by the Beijing Municipal Administration for Market Regulation, the Board proposes to change the overall business scope of the industrial and commercial registration while adding the above businesses. The proposed amendments to the Articles of Association will be subject to the approval of the Shareholders by special resolution at the EGM.

## LETTER FROM THE BOARD

Details of change of the Company's business scope are as follows:

Before the change	After the change
Dispatching labourers overseas required by overseas projects in line with its strength, scale and performance.	Overseas labor service cooperation
Technology research and development, manufacturing and sale of new style building materials and related products, new style housing, cement and related products, glass fiber and related products, and composite material and related products	New style building materials manufacturing (excluding dangerous chemicals); building materials sales; non-metallic mineral products manufacturing; non-metallic minerals and products sales; light building materials manufacturing; light building materials sales; cement products sales; glass fiber and products manufacturing; glass fiber and products sales; high-performance fiber and composite materials manufacturing; high-performance fiber and composite materials sales; research and development of new materials technology
Storage, delivery and distribution of building material	General goods warehouse service (excluding projects of hazardous chemicals and other projects requiring approval); road cargo transportation (excluding dangerous goods); domestic freight forwarder; urban delivery and transportation services (excluding dangerous goods)
Technology research and development, project design and general project contracting of cement and glass production lines; project design and general project contracting of new style building materials	Industrial engineering design services; construction engineering design; engineering construction; engineering management services
Technology consultation and information services relating to the aforesaid businesses	Technical service, technical development, technical consultation, technical exchange, technical transfer, technical promotion
Contracting for engineering survey, consultation, design and supervision as well as engineering for overseas building material, construction and light textile industries	Contracting overseas projects

## LETTER FROM THE BOARD

Before the change	After the change
Import and export business	Import and export of goods; import and export agency; import and export of technology
	New membrane materials manufacturing; New membrane materials sales
	Graphite and carbon products manufacturing; graphite and carbon products sales; mineral washing and processing
	Machinery and equipment research and development; manufacturing of the specialized machinery of building materials production; machinery and equipment sales; machinery and equipment leasing

The proposed change of business scope is conditional upon the following conditions being satisfied:

- (i) passing of special resolution by the Shareholders of the Company at the general meeting of the Company to approve the change of business scope; and
- (ii) obtaining all the necessary approvals from the Beijing Municipal Administration for Market Regulation for the change of business scope.

The application for and filing of change and registration with the Beijing Municipal Administration for Market Regulation will be made by the Company after the passing of the relevant special resolution at the EGM. The proposed change of business scope will take effect from the date on which the business licence in relation to the amended business scope is issued by the Beijing Municipal Administration for Market Regulation.

#### 4 THE MASTER AGREEMENT ON MUTUAL PROVISION OF PRODUCTS AND SERVICES

The Board announced that on 28 October 2022, the Company and the Parent entered into the Master Agreement on Mutual Provision of Products and Services with a term of three years commencing from 1 January 2023, pursuant to which the Parent Group and the Group has agreed to provide each other with certain products and services. The principal terms of the Master Agreement on Mutual Provision of Products and Services are set out below:

##### **Date**

The Master Agreement on Mutual Provision of Products and Services was entered into on 28 October 2022.

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## LETTER FROM THE BOARD

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### **Parties**

- (i) The Company; and
- (ii) The Parent.

### **Effective period**

The Master Agreement on Mutual Provision of Products and Services will become effective upon having been signed by legal representatives or authorised representatives of both parties and stamped. The term of the Master Agreement on Mutual Provision of Products and Services is from 1 January 2023 to 31 December 2025.

### **Principal terms**

#### ***(1) Description of transaction***

The Parent Group has agreed to provide the Group with certain products and services. These products include raw materials and commodities (including grinding aid, spare parts, refractory materials, coal, etc.). The services include repair, design and installation of equipment, technology services, property management services, logistics services and others. The Group has agreed to provide the Parent Group with certain products and services. These products include raw materials and commodities (including clinker, cement, lightweight building materials, etc.). The services include the supply of water, electricity, steam services, logistics services and others. Among the abovementioned products and services, coal and logistics services are expected to be provided to each other by the Group and the Parent Group for the following reasons, respectively:

- (a) The Group purchases coal from the Parent Group as the fuel to support the production of cement, and will dispose of the coal to the Parent Group with the sales channels of the Parent Group as a result of the suspension under the periodic maintenance of cement production lines; and



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## LETTER FROM THE BOARD

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- (b) Saima IOT has been providing logistic services to the Group with a price lower than that offered by the independent logistic companies in the first half of 2022. The Group intends to receive logistic services from Saima IOT for the building material products, including but not limited to cement clinker, and the Parent Group intends to receive logistic services from Saima IOT for the delivery of coal and cement clinker. Since Saima IOT is a Connected Subsidiary of the Company, the above procurement of logistic services both constitute continuing connected transactions of the Company. Since the definition of the Parent Group includes Connected Subsidiaries of the Company, which includes Saima IOT and its subsidiaries, the logistic services from both sides under the Master Agreement on Mutual Provision of Products and Services are actually provided by the same party, i.e. Saima IOT and its subsidiaries.

(2) ***Basis of Pricing***

The prices of the products and services to be purchased or supplied by the Group shall be based on the following priorities:

- (a) the prices prescribed by the price control authorities of the PRC;
- (b) if the prices mentioned in (a) above are not available, the guided prices issued by the relevant PRC government authorities;

As for the price prescribed by the price control authorities of the PRC and the guided prices issued by the relevant PRC government authorities, the state-prescribed fees and guided prices are applicable to water, electricity and coal, which are related to the cost of such products and services and published by the relevant PRC government authorities from time to time. According to the Pricing Law of the PRC, the PRC government may implement state-prescribed or guided price for specific products and services, if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guided price becomes available to the agreement in the future, the parties will execute such price first in accordance with the pricing principle of the agreement.

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## LETTER FROM THE BOARD

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- (c) if the prices mentioned in (a) and/or (b) above are not available, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets, among which:
- c.1 While purchasing products or services from the Parent Group, the Group will seek quotes from two or more comparable independent third parties through public tender or price inquiry. When using the method of public tender, the Group will issue the information in relation to potential transactions and obtain the bidding documents as well as details of the qualification and pricing from the independent third parties. When using the method of price inquiry, the Group will obtain quotes from two or more suppliers as independent third parties;
  - c.2 While providing products or services to the Parent Group, the Group will charge to the Parent Group the same price as to the independent third party in accordance with the internal practice. The Group will make reference to the price of comparable products charged to two or more independent third parties in the same or nearby area, or in the PRC prior to the negotiation of the applicable price with the Parent Group; and
- (d) if none of the prices mentioned in (a), (b) and (c) above is available, the prices will be determined based on the actual costs incurred in providing the same products and services plus a reasonable profit with reference to the general range of profit in the industry, and on terms not less favourable than those provided by independent third parties to the Group or provided by the Parent Group to independent third parties. The Group will determine whether the profit margin is in line with the market practice with reference to the historical average price in relation to relevant products (to the extent available) issued by the relevant industrial associations and/or the profit margin of comparable products and services disclosed by other listed companies.

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## LETTER FROM THE BOARD

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The Group has the following internal control mechanism in place to ensure the individual transactions are conducted within the Master Agreement on Mutual Provision of Products and Services:

- (a) The Group employs and maintains separate business, operation and accounting personnel of its own from the Parent Group. There is clear segregation of approval authority and duty between the parties.
- (b) The Company's Finance Department will perform check on transactions entered into under the Master Agreement on Mutual Provision of Products and Services for every half year to ensure compliance with pricing policies and that the annual caps are not exceeded.
- (c) The annual caps are set based on the estimated transaction amount reported by the members of the Group. While carrying out the specific connected transactions under the Master Agreement on Mutual Provision of Products and Services with the Parent Group, the relevant member of the Group carrying out the specific connected transactions will monitor the actual transaction amount and report to the Company if the actual transaction amount exceeds the estimated transaction amount forming the basis of the annual caps. The Company will monitor at the Group level to confirm that the aggregated transaction amounts are within the annual caps.
- (d) The Company's external auditors will conduct an annual review of the transactions entered into under the Master Agreement on Mutual Provision of Products and Services to confirm the transaction amounts are within the annual caps and the transactions are entered into in accordance with the terms set out in the relevant framework agreements in all material respects.
- (e) In accordance with the Listing Rules, the independent non-executive Directors of the Company will also perform an annual review of the terms of continuing connected transactions contemplated under the Master Agreement on Mutual Provision of Products and Services with the Parent Group to confirm that the pricing policy and the annual caps remain fair and reasonable and that appropriate internal control procedures are in place, and will confirm so each year in the annual report published by the Company.

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## LETTER FROM THE BOARD

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**(3) Payment**

The consideration for the transactions contemplated under the Master Agreement on Mutual Provision of Products and Services will be paid in accordance with separate agreements for specific transactions.

**5 REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT ON MUTUAL PROVISION OF PRODUCTS AND SERVICES WITH THE PARENT**

The continuing connected transactions with the Parent Group under the Master Agreement on Mutual Provision of Products and Services are a continuation of the existing continuing connected transactions of the Company under the Original Master Agreement on Mutual Provision of Products and Services, and these transactions are conducted in order to meet the operational and business development needs of the Group. When conducting the procurement transactions with the Parent Group, the Company has comprehensively considered the competitive edges of the Parent Group, including its qualification, experience, quality, industrial advantages and other factors, which are conducive to meeting the needs of the Company. The sales transactions between the Company and the Parent Group increased the Company's revenue subject to the normal commercial payments that are fair and reasonable. The Company has well-established cooperation foundation and smooth communication with the Parent Group, which is conducive to the implementation and furtherance of the transactions.

The Directors (including independent non-executive Directors, upon considering the opinions of the Independent Financial Adviser) consider that the continuing connected transactions with the Parent Group under the Master Agreement on Mutual Provision of Products and Services are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of these transactions and their proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Given this and the fact that the purpose of the continuing connected transactions with the Parent Group is to satisfy the operational and business development needs of the Group, the Directors consider that it is beneficial for the Company to carry out the continuing connected transactions with the Parent Group under the Master Agreement on Mutual Provision of Products and Services.

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## LETTER FROM THE BOARD

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### 6 PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION

The Directors have considered and proposed the following annual caps for the transactions under the Master Agreement on Mutual Provision of Products and Services:

**Proposed caps for purchase of products and services from the Parent Group pursuant to the Master Agreement on Mutual Provision of Products and Services**

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
Historical transaction amounts <i>(RMB million)</i>	781.580	2,495.340	1,826.290  (Historical transaction amount for the first six months ended 30 June 2022)
			6,486.710  (Estimated transaction amount for the last six months ended 31 December 2022)
Previous annual caps <i>(RMB million)</i>	2,592.960	2,601.970	8,673.000 <sup>(1)</sup>
			<b>For the year ended 31 December 2023</b>
Proposed new annual caps <i>(RMB million)</i>	14,753.794	15,444.541	<b>For the year ended 31 December 2024</b> <b>For the year ended 31 December 2025</b>

*Note:*

(1) the adjusted annual cap was disclosed in the announcement of the Company dated 10 October 2022.

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## LETTER FROM THE BOARD

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### **Basis of determination of the proposed new annual caps**

The new annual caps are determined based on: (i) the actual transaction amounts for the two years ended 31 December 2021 and the first six months ended 30 June 2022 and the estimated transaction amount for the last six months ended 31 December 2022; (ii) the Company's anticipated requirement for the logistics services to be provided to the Group by Saima IOT, a Connected Subsidiary of the Company, with a total amount of approximately RMB3.5 billion in 2022, and the anticipated further growth in the business needs in the next three years; (iii) the anticipated continued procurement of engineering spare parts products and distributed control system renovation services from Sinoma International (which will become a Connected Subsidiary of the Company upon completion of the restructuring transaction of the acquisition of Hefei Institute (the Company expects that the acquisition of Hefei Institute will be completed in 2023, but the exact completion date is uncertain as the transaction is subject to the approval of China Securities Regulatory Commission), and the transactions of the procurement of relevant products and services by the Group (excluding Sinoma International and its subsidiaries) from it will become continuing connected transactions) in the next three years, with transaction amounts of RMB423.7 million, RMB405.0 million and RMB224.1 million for the past three years, respectively; the anticipated procurement of coal resources in large quantity from CNBM International Corporation, a subsidiary of the Parent, in the next three years; and (iv) the Group's anticipated demand for raw materials required for production, equipment, technology services, logistics services and property management services in the future by taking into account the existing scale and anticipated growth of relevant business segments of the Group.

The reasons for the substantial increase in the transaction amounts for the purchase of products and services from the Parent Group in the first half of 2022 are as following:

- (i) In respect of the volume of coal which has been anticipated under the annual cap for 2022, the aggregate purchase price of the above coal is expected to increase due to the increase in the unit price of coal in 2022. For the six months ended 30 June 2022, the average selling price of the coal in the market has increased by approximately RMB600 per ton as compared to that for the nine months ended 30 September 2019; and
- (ii) Saima IOT is a Connected Subsidiary of the Company and has been providing logistic services to the Group in the first half of 2022, which was not anticipated when the annual cap for 2022 was determined since it was not a Connected Subsidiary of the Company at that time.

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## LETTER FROM THE BOARD

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The reasons for the substantial increase in the transaction amounts for the purchase of products and services from the Parent Group in the second half of 2022 are as following:

- (i) Due to the recent high price for the coal, and the fourth quarter is the traditional peak demand season for cement, therefore the demand for coal is also expected to increase. In order to ensure the supply of goods and maintain normal production and operation, the Company's purchase of coal from Parent Group shall be increased;
- (ii) PRC's demand for environmental protection and energy consumption are constantly increasing, and a large number of technical transformation projects are required to meet the emission requirements. The Company purchases relevant equipment and services from Hefei Institute (affiliated to Building Materials Academy), thus increasing the transaction volume hereunder; and
- (iii) Since Saima IOT has been providing logistic services to the Group with a price lower than that offered by the independent logistic companies in the first half of 2022, the Group intends to receive more logistic services from Saima IOT during the second half of 2022.

For more details, please refer to the announcement of the Company dated 10 October 2022 in relation to the revision of 2022 annual cap of certain continuing connected transactions.

### **Proposed caps for provision of products and services to the Parent Group pursuant to the Master Agreement on Mutual Provision of Products and Services**

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
Historical transaction amounts <i>(RMB million)</i>	753.910	929.160	754.670 (Historical transaction amount for the first six months ended 30 June 2022)
			652.082 (Estimated transaction amount for the last six months ended 31 December 2022)
Previous annual caps <i>(RMB million)</i>	1,149.230	1,426.520	1,569.950

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## LETTER FROM THE BOARD

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	For the year ended 31 December 2023	For the year ended 31 December 2024	For the year ended 31 December 2025
Proposed new annual caps <i>(RMB million)</i>	3,091.808	3,348.952	4,379.097

### **Basis of determination of the proposed annual caps**

The new annual caps are determined based on: (i) the actual transaction amounts for the two years ended 31 December 2021 and the first six months ended 30 June 2022 and the estimated transaction amount for the last six months ended 31 December 2022; (ii) the anticipated continued provision of logistics services by Saima IOT to the Parent Group in the next three years, with significant growth in transaction scale; (iii) the Group's anticipated continued provision of products and services to Sinoma International (which will become a Connected Subsidiary of the Company upon completion of the restructuring transaction of the acquisition of Hefei Institute, and the transactions of the provision of products and services by the Group (excluding Sinoma International and its subsidiaries) to it will become continuing connected transactions) in the next three years, with transaction amounts of RMB205.3 million, RMB233.7 million and RMB77.5 million for the past three years, respectively; (iv) the future business integration of Sinoma International, and the planned conduct of dual carbon, energy conservation and emission reduction business, as well as the anticipated provision of energy conservation products and services to the Parent Group in the next three years; and (v) the Group's anticipation and comparison of the supply and demand in the products and services market, and the Group's anticipated production volume of products in the period from 2023 to 2025. The increase in the new annual caps for the provision of products and services to the Parent Group is mainly attributable to (i) the demand from the Parent Group on the logistics service for the commodities and other building materials, which is anticipated to reach its peak in 2025, amounting to more than RMB2 billion; (ii) disposal of the coal with the sales channels of the Parent Group as a result of the suspension under the periodic maintenance of cement production lines, which is estimated to be RMB500 million, RMB400 million and RMB400 million in 2023, 2024 and 2025, respectively; (iii) the anticipated increasing demand from the Parent Group on the construction of the infrastructures for the additional mining projects, including the construction works for several tunnels with a total length of 13 kilometers, which is estimated to incur construction cost of around RMB400 million; and (iv) increasing demand on the cement as a result of the additional own-used infrastructures of the Parent Group, which is estimated to be RMB378 million in each of the three years ended 31 December 2025.



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## LETTER FROM THE BOARD

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### 7 THE MASTER AGREEMENT ON MUTUAL PROVISION OF ENGINEERING SERVICES

The Board announced that on 28 October 2022, the Company and the Parent entered into the Master Agreement on Mutual Provision of Engineering Services with a term of three years commencing from 1 January 2023, pursuant to which the Parent Group and the Group has agreed to provide each other with certain engineering services, including engineering design, construction and supervisory services. The principal terms of the Master Agreement on Mutual Provision of Engineering Services are set out below:

#### **Date**

The Master Agreement on Mutual Provision of Engineering Services was entered into on 28 October 2022.

#### **Parties**

- (i) The Company; and
- (ii) The Parent.

#### **Effective period**

The Master Agreement on Mutual Provision of Engineering Services will become effective upon having been signed by legal representatives or authorised representatives of both parties and stamped. The term of the Master Agreement on Mutual Provision of Engineering Services is from 1 January 2023 to 31 December 2025.

#### **Principal terms**

##### **(1) *Description of transaction***

The Parent Group and the Group has agreed to provide each other with engineering services including engineering design, construction and supervisory services subject to the terms and conditions of the Master Agreement on Mutual Provision of Products and Services.

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## LETTER FROM THE BOARD

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(2) ***Basis of Pricing***

The price of the engineering services to be procured from or provided to the Parent Group will be determined based on the following priorities:

- (a) determined by the relevant guided prices issued by the relevant PRC government authorities, being the prices agreed by both parties within the range as stipulated by applicable PRC laws and regulations. As for the guided prices issued by the PRC government authorities, the state-prescribed fees and guided prices are applicable to water, electricity and coal, which are related to the cost of such products and services and published by the relevant PRC government authorities from time to time. According to the Pricing Law of the PRC, the PRC government may implement state-prescribed or guided price for specific products and services, if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guided price becomes available to the agreement in the future, the parties will execute such price first in accordance with the pricing principle of the agreement;
- (b) if the prices mentioned in (a) above are not available, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets, among which:
  - b.1 While purchasing engineering services from the Parent Group, the Group will seek quotes from two or more comparable independent third parties through public tender or price inquiry. When using the method of public tender, the Group will issue the information in relation to potential transactions and obtain the bidding documents as well as details of the qualification and pricing from the independent third parties. When using the method of price inquiry, the Group will obtain quotes from two or more suppliers as independent third parties;
  - b.2 While providing products or services to the Parent Group, the Group will charge to the Parent Group the same price as to the independent third party in accordance with the internal practice. The Group will make reference to the price of comparable products charged to two or more independent third parties in the same or nearby area, or in the PRC prior to the negotiation of the applicable price with the Parent Group; and

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## LETTER FROM THE BOARD

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- (c) if the prices mentioned in (a) and (b) above are not available, the price will be determined based on the actual costs incurred in providing equivalent engineering services plus a reasonable profit with reference to the general range of profit in the industry, and (i) the prices of engineering services provided to the Group by the Parent Group will be determined on terms not less favourable to the Group than those provided to the Group by independent third parties or by the Parent Group to independent third parties; (ii) the prices of engineering services provided by the Group to the Parent Group will be determined on terms that are no more favourable to the Group than those provided by the Group to independent third parties or by independent third parties to the Parent Group. The Group will determine whether the profit margin is in line with the industry conditions with reference to the historical average price in relation to the provision of engineering services (to the extent available) issued by the relevant industrial associations and/or the profit margin of comparable services disclosed by other listed companies.

Provided that if the contract is granted by way of tender, the price should be determined in accordance with the procedures of the local regulatory authority for the tender in the location of the construction project.

The Group has the following internal control mechanism in place to ensure the individual transactions are conducted within the Master Agreement on Mutual Provision of Engineering Services:

- (a) The Group employs and maintains separate business, operation and accounting personnel of its own from the Parent Group. There is clear segregation of approval authority and duty between the parties.
- (b) The Company's Finance Department will perform check on transactions entered into under the Master Agreement on Mutual Provision of Engineering Services for every half year to ensure compliance with pricing policies and that the annual caps are not exceeded.
- (c) The annual caps are set based on the estimated transaction amount reported by the members of the Group. While carrying out the specific connected transactions under the Master Agreement on Mutual Provision of Engineering Services with the Parent Group, the relevant member of the Group carrying out the specific connected transactions will monitor the actual transaction amount and report to the Company if the actual transaction amount exceeds the estimated transaction amount forming the basis of the annual caps. The Company will monitor at the Group level to confirm that the aggregated transaction amounts are within the annual caps.

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## LETTER FROM THE BOARD

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- (d) The Company's external auditors will conduct an annual review of the transactions entered into under the Master Agreement on Mutual Provision of Engineering Services to confirm the transaction amounts are within the annual caps and the transactions are entered into in accordance with the terms set out in the relevant framework agreements in all material respects.
- (e) In accordance with the Listing Rules, the independent non-executive Directors of the Company will also perform an annual review of the terms of continuing connected transactions contemplated under the Master Agreement on Mutual Provision of Engineering Services with the Parent Group to confirm that the pricing policy and the annual caps remain fair and reasonable and that appropriate internal control procedures are in place, and will confirm so each year in the annual report published by the Company.

### **(3) Payment**

The consideration for the transactions contemplated under the Master Agreement on Mutual Provision of Engineering Services will be paid in accordance with separate agreements for specific transactions.

## **8 REASONS FOR AND BENEFITS OF ENTERING INTO THE MASTER AGREEMENT ON MUTUAL PROVISION OF ENGINEERING SERVICES WITH THE PARENT**

The sales transactions with the Parent Group under the Master Agreement on Mutual Provision of Engineering Services are a continuation of the existing continuing connected transactions of the Company under the Original Master Agreement on Provision of Engineering Services, and these transactions are conducted in order to meet the operational and business development needs of the Group. The sales transactions between the Company and the Parent Group increased the Company's revenue subject to the normal commercial payments that are fair and reasonable. The Company has well-established cooperation foundation and smooth communication with the Parent Group, which is conducive to the implementation and furtherance of the transactions. The procurement transactions with the Parent Group take into account the Company's ongoing restructuring transaction of Sinoma International's acquisition of Hefei Institute. After the completion of restructuring, it is expected that Building Materials Academy, a wholly-owned subsidiary of the Parent, will hold approximately 15.66% of the shares of Sinoma International, exceeding 10%, and Sinoma International will become a Connected Subsidiary of the Company. At that time, the continuing transactions between Sinoma International and its subsidiaries (including Hefei Institute, which will become a wholly-owned subsidiary of Sinoma International upon the completion of the above restructuring), and the Company and its subsidiaries (excluding Sinoma International and its subsidiaries) will become continuing connected transactions. When conducting the procurement

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## LETTER FROM THE BOARD

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transactions with the Parent Group, the Company has comprehensively considered the competitive edges of the Parent Group, including its qualification, experience, quality, industrial advantages and other factors, which are conducive to meeting the needs of the Company. The Group and the Parent Group (excluding Sinoma International and its subsidiaries) both have been procuring engineering services from Sinoma International and its subsidiaries, and intend to continue conducting such transactions in the future. Since the definition of the Parent Group includes Connected Subsidiaries of the Company, which will include Sinoma International and its subsidiaries upon completion of the abovementioned restructuring, the engineering services from both sides under the Master Agreement on Mutual Provision of Engineering Services are actually provided by the same party, i.e. Sinoma International and its subsidiaries.

The Directors (including independent non-executive Directors, upon considering the opinions of the Independent Financial Adviser) consider that the continuing connected transactions with the Parent Group under the Master Agreement on Mutual Provision of Engineering Services are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of these transactions and their proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Given this and the fact that the purpose of the continuing connected transactions with the Parent Group is to satisfy the operational and business development needs of the Group, the Directors consider that it is beneficial for the Company to carry out the continuing connected transactions with the Parent Group under the Master Agreement on Mutual Provision of Engineering Services.

### **9 PROPOSED ANNUAL CAPS AND BASIS OF DETERMINATION**

The Directors have considered and proposed the following annual caps for the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services:

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## LETTER FROM THE BOARD

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### Proposed caps for purchase of engineering services from the Parent Group pursuant to the Master Agreement on Mutual Provision of Engineering Services

	For the year ended 31 December 2020	For the year ended 31 December 2021	For the year ended 31 December 2022
Historical transaction amounts <i>(RMB million)</i> <sup>(1)</sup>	6,292.202	9,115.837	3,916.026
			(Historical transaction amount for the first six months ended 30 June 2022)
			5,496.619
			(Estimated transaction amount for the last six months ended 31 December 2022)
Previous annual caps <i>(RMB million)</i>	N/A	N/A	N/A
	For the year ended 31 December 2023	For the year ended 31 December 2024	For the year ended 31 December 2025
Proposed new annual caps <i>(RMB million)</i>	10,236.633	11,347.807	12,133.646

*Note:*

- (1) The historical transaction amounts calculated here represent the historical transaction amounts for the procurement of engineering services by the Group (excluding Sinoma International and its subsidiaries) from Sinoma International and its subsidiaries (including Hefei Institute, which will become a wholly-owned subsidiary of Sinoma International upon the completion of the restructuring transaction of the acquisition of Hefei Institute).

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## LETTER FROM THE BOARD

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### **Basis of determination of the proposed new annual caps**

The new annual caps take into account the Company's ongoing restructuring transaction of Sinoma International's acquisition of Hefei Institute. After the completion of restructuring, it is expected that Building Materials Academy, a wholly-owned subsidiary of the Parent, will hold approximately 15.66% of the shares of Sinoma International, exceeding 10%, and Sinoma International will become a Connected Subsidiary of the Company. At that time, the continuing transactions between Sinoma International and its subsidiaries (including Hefei Institute, which will become a wholly-owned subsidiary of Sinoma International upon the completion of the above restructuring), and the Company and its subsidiaries (excluding Sinoma International and its subsidiaries) will become continuing connected transactions. Accordingly, the annual caps for the next three years take into account the existing scale and anticipated growth of the business demand related to the procurement of engineering services from Sinoma International and its subsidiaries, the future engineering services to be provided by Sinoma International and its subsidiaries and the construction planning and anticipated business opportunities.

### **10 THE FINANCIAL SERVICES FRAMEWORK AGREEMENT**

The Board announced that on 28 October 2022, the Company and the Finance Company entered into the Financial Services Framework Agreement with a term of three years commencing from 1 January 2023, pursuant to which the Finance Company has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBIRC on a non-exclusive basis subject to the terms and conditions therein. The principal terms of the Financial Services Framework Agreement are set out below:

#### **Date**

The Financial Services Framework Agreement was entered into on 28 October 2022.

#### **Parties**

- (i) The Company; and
- (ii) The Finance Company.

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## LETTER FROM THE BOARD

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### **Effective period**

The Financial Services Framework Agreement will become effective upon: (i) having been signed by legal representatives or authorised representatives of both parties and stamped; and (ii) having completed respective internal approval procedures by the parties. The term of the Financial Services Framework Agreement is from 1 January 2023 to 31 December 2025.

### **Principal terms**

#### **(1) *Description of transaction***

The Finance Company has agreed to provide the Group with deposit services, loan services and other financial services approved by the CBIRC (such as bills acceptance and discounting services, assistance in achieving the collection and payment of the transactional proceeds, clearing and settlement services, financial and financing advisory services, credit authentication and related consulting and agency services) on a non-exclusive basis.

#### **(2) *Pricing***

When determining the price for any financial services to be provided as specific transactions to be entered into between the Group and the Finance Company pursuant to the Financial Services Framework Agreement, the Group will obtain quotes of interest rate during the same period, fees and terms from at least two general commercial banks in the PRC (mainly PRC state-owned commercial banks, including but not limited to Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation Limited which currently provide services to the Group) located in the same or adjacent regions. In practice, the Group may select the general commercial banks to obtain quotes based on their market positions and the competitiveness of their terms in past transactions or quotes. The Finance Department of the Company will be in charge of obtaining the quotes. The general commercial banks are generally willing to offer quotes to the Group from time to time for business development purposes.



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## LETTER FROM THE BOARD

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The Company considers that quotes from two or more general commercial banks will be sufficient and representative for the following reasons:

- (a) as disclosed above, the general commercial banks which the Company will obtain quotes from are mainly large PRC stated-owned commercial banks (including but not limited to Industrial and Commercial Bank of China Limited, Agricultural Bank of China Limited, Bank of China Limited and China Construction Bank Corporation Limited) with strong market position and are considered sensitive to the latest PRC government policies and market trend. Based on the terms offered by them in the past, the Company believes that their quotes are credible and representative of the most favourable terms available under the prevailing market conditions; and
- (b) the financial services industry in the PRC is subject to regulations and standards imposed by the CBIRC. There is a strong tendency of homogenisation of terms offered by the banks. Based on its experience, the Company believes that two quotes are usually sufficient.

The Group will compare the quotes so obtained with the corresponding terms proposed by the Finance Company and:

- (i) if the interest rate, fees and terms proposed by the Finance Company are more favourable than those proposed by such PRC general commercial banks, the Group will engage the Finance Company; and
- (ii) as a matter of principle, the Group will give priority to using the services of the Finance Company if the Finance Company and such PRC general commercial banks offer equivalent terms and conditions. The Group has discretion to engage one or more such PRC general commercial banks as its financial service providers as it thinks fit and beneficial to the Group.

In practice, the Finance Department of the Company will be in charge of obtaining the quotes. If such quotes are more favourable to the Group than the price proposed to be charged by the Finance Company, the Finance Department will report such fact to the Finance Director of the Company. Such information will be used by the Group for re-negotiating the price with the Finance Company.

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## LETTER FROM THE BOARD

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Pursuant to the Financial Services Framework Agreement, the Finance Company has agreed to provide the financial services to the Group in accordance with the following principles:

- (a) **Deposit services:** The interest rate for the Group for its deposits with the Finance Company shall comply with the PBOC's regulations on interest rates for deposits of the same type from time to time, and will not be lower than: (i) the benchmark interest rate specified by the PBOC for deposits of the same category during the same period; (ii) the interest rate paid by the Finance Company for deposits of the same type placed by members of the Parent Group during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the same period under the same conditions.
  
- (b) **Loan services:** The interest rate for loans granted to the Group by the Finance Company shall comply with the PBOC's regulations on interest rates for loans of the same type from time to time, and will not be higher than: (i) the benchmark interest rate specified by the PBOC for loans of the same category during the same period; (ii) the interest rate for similar loans charged by the Finance Company to members of the Parent Group during the same period under the same conditions; and (iii) the interest rate charged by PRC general commercial banks to the Group for similar loans during the same period under the same conditions.

The Finance Company will provide the loan services on normal commercial terms or better and such loans will not be secured by the assets of the Group.

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## LETTER FROM THE BOARD

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- (c) **Other financial services:** During anytime, the terms and conditions for provision of other financial services by the Finance Company to the Group will not be less favourable than: (i) the terms and conditions for provisions of the same type of services by the Finance Company to members of the Parent Group; and (ii) the terms and conditions for provision of financial services of the same type by PRC general commercial banks to the Group. The services fees charged by the Finance Company for provision of other financial services to the Group will be in accordance with the standard of fees set by the PBOC or the CBIRC (if applicable). According to the above principle, such services fees will not be higher than: (i) the fees charged by the Finance Company to members of the Parent Group for providing services of the same type during the same period under the same conditions; and (ii) the fees charged to the Group by PRC general commercial banks in the PRC for services of the same type during the same period under the same conditions. The settlement services provided by the Finance Company to the Group will be free of charge.

The Group has the following internal control mechanism in place to ensure the individual transactions are conducted within the Financial Services Framework Agreement:

- (a) The Group employs and maintains separate business, operation and accounting personnel of its own from the Finance Company. There is clear segregation of approval authority and duty between the parties.
- (b) The Company's Finance Department will perform quarterly check on transactions entered into under the Financial Services Framework Agreement to ensure compliance with pricing policies and the annual caps are not exceeded.
- (c) The annual caps are set based on the estimated transaction amount reported by the members of the Group. While carrying out the specific connected transactions under the Financial Services Framework Agreement, the relevant members of the Group carrying out the specific connected transactions will monitor the actual transaction amount and report to the Company if the actual transaction amount exceeds the estimated transaction amount forming the basis of the annual caps. The Company will monitor at the Group level to confirm that the aggregated transaction amounts are within the annual caps.

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## LETTER FROM THE BOARD

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- (d) The Company's external auditors will conduct an annual review of the transactions entered into under the Financial Services Framework Agreement to confirm the transaction amounts are within the annual caps and the transactions are entered into in accordance with relevant terms set out in the Financial Services Framework Agreement in all material respects.
- (e) In accordance with the Listing Rules, the independent non-executive Directors of the Company will also perform an annual review of the terms of continuing connected transactions under the Financial Services Framework Agreement to confirm that the pricing policy and the annual caps remain fair and reasonable and that appropriate internal control procedures are in place, and will confirm so each year in the annual report published by the Company.

### **(3) *Capital Risk Control Measures***

Pursuant to the Financial Services Framework Agreement, the Finance Company made the following undertakings to the Group to manage the related capital risks:

- (a) the statutory deposit reserve ratio of the Finance Company will not be lower than the minimum permitted by the PBOC at any time;
- (b) the Finance Company will not use deposits placed by the Group for any high-risk investments;
- (c) a daily report of the Group's deposit balance with the Finance Company for every business day will be delivered by the Finance Company to the Finance Director of the Company before 5:00 p.m. on the following business day;
- (d) if the Finance Company encounters payment difficulties, the Parent will increase the capital investment in the Finance Company accordingly to meet its actual needs to overcome such difficulties;
- (e) the Finance Company will provide a copy of regulatory reports submitted to the CBIRC to the Company; and
- (f) a monthly financial statement of the Finance Company will be provided to the Company on or before the seventh business day following the end of each month.

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## LETTER FROM THE BOARD

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**(4) Payment**

The consideration for the transactions contemplated under the Financial Services Framework Agreement will be paid in accordance with separate agreements for specific transactions.

**11 REASONS FOR AND BENEFITS OF ENTERING INTO THE FINANCIAL SERVICES FRAMEWORK AGREEMENT WITH THE FINANCE COMPANY**

- (a) The interest rates for deposit and fees for other financial services provided by the Finance Company will be equivalent to or more favorable to the Group than those provided by PRC general commercial banks, which avails the Group to a stable source of financial services in its ordinary course of business.
- (b) The Financial Services Framework Agreement is non-exclusive and does not limit the Group's choice in engaging any banks or financial institutions to satisfy its need for financial services. The entry into the Financial Services Framework Agreement will simply avail the Group to one more service provider and encourage all financial services providers to offer more competitive terms to the Group.
- (c) The Group will be able to use the Finance Company as a medium between the Company and its subsidiaries to more effectively allocate funds among its subsidiaries and manage its existing capital and cash flow.
- (d) The Group expects to benefit from the Finance Company's better understanding of the Group's operations. Such understanding will enable the Finance Company to offer more favorable, diversified and flexible financial services than third-party commercial banks.
- (e) By combining its own advantages as a financial institution and collaborating with banks' financial resources, Finance Company can effectively adjust the types and structure of financing and reduce the Group's comprehensive financing costs through the establishment of banking consortiums, etc.

The Directors (including independent non-executive Directors, upon considering the opinions of the Independent Financial Adviser) consider that the continuing connected transaction contemplated under the Financial Services Framework Agreement are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of these transactions and their respective proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

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## LETTER FROM THE BOARD

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### 12 PROPOSED NEW DEPOSIT CAPS AND BASIS OF DETERMINATION

The Directors have considered and proposed the following New Deposit Caps for the deposit transactions under the Financial Services Framework Agreement:

#### Proposed Deposit Caps

	<b>For the year ended 31 December 2020</b>	<b>For the year ended 31 December 2021</b>	<b>For the year ended 31 December 2022</b>
Historical maximum daily deposit balance (including accrued interests) <i>(RMB million)</i>	10,800	9,900	13,700 (Historical maximum daily deposit balance for the first six months ended 30 June 2022)
			16,000 (Estimated maximum daily deposit balance for the last six months ended 31 December 2022)
Previous Deposit Caps (maximum daily deposit balance, including accrued interests) <i>(RMB million)</i>	16,800	17,800	18,800
	<b>For the year ended 31 December 2023</b>	<b>For the year ended 31 December 2024</b>	<b>For the year ended 31 December 2025</b>
Proposed New Deposit Caps (maximum daily deposit balance, including accrued interests) <i>(RMB million)</i>	18,800	20,400	22,000

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## LETTER FROM THE BOARD

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### **Basis of determination of the proposed Deposit Caps**

In determining the proposed maximum daily deposit balance (including accrued interests) in the Group's account with the Finance Company during the term of the Finance Services Framework Agreement, the Board has considered the following factors: (i) the maximum daily deposit balance of the deposit services provided by the Finance Company to the Group under the Original Financial Services Framework Agreement for the two years ended 31 December 2021 and for the first six months ended 30 June 2022 and the estimated maximum daily deposit balance for the last six months ended 31 December 2022. The Group's deposit funds in Finance Company are approaching the caps. Judging from the changes in the balance of deposits in recent years, it is expected that the balance of the Group's deposits in Finance Company will further increase in the future; (ii) the business development and financial status of the Group; and (iii) the competitive interest rates of deposits in Finance Company. The negotiated deposit interest rate of Finance Company has increased to the ceiling as regulated by the PBOC. On the premise of regulatory compliance, the deposit interest rates of Finance Company are generally not lower than the rates offered to the Group by general commercial banks in China for similar deposits under the same conditions and the same period; (iv) Finance Company may provide high-quality services to the Group. New companies and companies with general cooperation with banks may enjoy the relatively high deposit rates provided by Finance Company; (v) Finance Company exempts the members from settlement fees. Finance Company will set up a settlement center and provide settlement services for the Group free of charge and shall ensure the safe operation of the fund settlement network, safeguard the safety of funds, control the risk of assets and liabilities and meet the payment needs of the Group; (vi) meeting the deposits needs of new subsidiaries of the Group.

### **13 THE LOAN FRAMEWORK AGREEMENT**

The Board announced that on 28 October 2022, Tianshan Cement, a subsidiary of the Company, entered into the Loan Framework Agreement with CNBM Chizhou, pursuant to which, Tianshan Cement conditionally agreed to provide loans to CNBM Chizhou. Such transactions will constitute continuing connected transactions with CNBM Chizhou pursuant to the Loan Framework Agreement. The principal terms of the Loan Framework Agreement are set out below:

#### **Date**

The Loan Framework Agreement was entered into on 28 October 2022.

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## LETTER FROM THE BOARD

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### **Parties**

- (i) Tianshan Cement (as the Lender); and
- (ii) CNBM Chizhou (as the Borrower).

### **Principal terms**

#### **(1) *Subject matter***

In the event that the Lender successfully issues convertible corporate bonds and raises funds, it will provide loans to the Borrower for the construction of the public mineral products transportation corridor project of the Borrower in Guichi District, and provide loans according to the construction progress of the project.

#### **(2) *Effective Conditions***

The Loan Framework Agreement shall come into force from (i) signing and stamping by the respective legal representatives or authorised representatives of both parties, and (ii) the date of the occurrence of the first actual loan under the agreement.

#### **(3) *Term of the Loan Framework Agreement***

The term of the Loan Framework Agreement is three years from the effective date of the Loan Framework Agreement.

#### **(4) *Security***

The specific loans to be made under the Loan Framework Agreement are intended to be secured by guarantees, including but not limited to: (i) a guarantee by the Borrower with its assets; and (ii) a guarantee by other shareholders of the Borrower who have not provided financial assistance in proportion to their shareholdings.



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## LETTER FROM THE BOARD

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**(5) *Principal and accrued interest amount of the Loan Framework Agreement***

The Lender will, based on the principle of marketization, charge interest from the Borrower at the fair market level, and the interest rate (i) shall not be lower than the inter-bank loan prime rate calculated and published by the National Inter-bank Funding Center as authorised by the People's Bank of China on the date of entering into specific agreement; and (ii) shall not be lower than the financing cost of the Lender's public issuance of convertible corporate bonds. Both parties shall separately sign specific loan agreement in accordance with the terms and conditions set forth in the framework agreement. The specific interest rate and payment method will be specified in the loan contract officially signed by both parties.

**(6) *Repayment of loans and payment of interest***

Upon expiry of the term of specific loan made under the Loan Framework Agreement, the Borrower shall pay off the principal and interest of the loan in cash.

To ensure that the transactions contemplated under the Loan Framework Agreement will be conducted in accordance with the terms and conditions thereof, the internal audit department of the Company will review the transactions entered into between Tianshan Cement and CNBM Chizhou on a periodic basis to ensure that (i) the transactions are conducted in accordance with the terms of the Loan Framework Agreement; (ii) the pricing terms are in accordance with the pricing policy of the Loan Framework Agreement and the policy of the Group; and (iii) the annual caps have not been exceeded.

The transactions contemplated under the Loan Framework Agreement are subject to the review by the independent non-executive Directors on an annual basis, who will confirm in the annual report whether the transactions have been entered into (i) in the ordinary and usual course of business of the Group; (ii) on normal commercial terms or more favorable ones; and (iii) in accordance with the Loan Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders as a whole. In addition, the transactions will also be subject to the review on an annual basis by the auditors of the Group, who will confirm to the Directors as to whether there is anything which has come to their attention that causes them to believe that such continuing connected transactions: (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the annual caps.

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## LETTER FROM THE BOARD

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### 14 REASONS FOR AND BENEFITS OF ENTERING INTO THE LOAN FRAMEWORK AGREEMENT WITH THE CNBM CHIZHOU

The loan to be provided by Tianshan Cement for CNBM Chizhou will be used for the construction of the public mineral product transportation corridor project in Guichi District and is able to strengthen the concrete business of Tianshan Cement and its subsidiaries. The corridor will be used for the transportation of the sand aggregate. The establishment of the corridor would be able to (i) monitor the trucks which deliver the sand aggregate to ensure the delivery of the sand aggregate would not be overload and hence comply with the rules under the Road Traffic Safety Law of the PRC; (ii) prevent the damages to the roads and highways of Chizhou City and thus lower the maintenance costs to the roads and highways incurred by Tianshan Cement and its subsidiaries; and (iii) reduce the noise and dust pollution to fulfill the requirements under the environmental, social, and corporate governance.

The Directors (including independent non-executive Directors, upon considering the opinions of the Independent Financial Adviser) consider that the continuing connected transaction contemplated under the Loan Framework Agreement are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of these transactions and their respective proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

### 15 PROPOSED LOAN CAPS AND BASIS OF DETERMINATION

The Directors have considered and proposed the following Loan Caps for the loan transactions under the Loan Framework Agreement:

#### **Proposed Loan Caps for provision of loans to CNBM Chizhou pursuant to the Loan Framework Agreement and Basis of Determination**

The Company expects that during the term of the Loan Framework Agreement, the maximum daily balance (including accrued interest) of the loans to be provided by Tianshan Cement to CNBM Chizhou will be RMB2,600 million. In calculating such cap, the Directors have taken into account (i) the scale of convertible bonds issued by Tianshan Cement; (ii) the construction scale of CNBM Chizhou's project and its corresponding capital demand (being RMB2.78 billion in total, and the Company intends to use part of the proceeds raised from the issuance of convertible bonds by Tianshan Cement to fulfill such capital demand, which is RMB2,534,704,400 after deducting the cost already incurred), its own funds and the estimated future profit; and (iii) the interest rate not lower than the one-year inter-bank loan prime rate calculated and published by the National Inter-bank Funding Center as authorised by the People's Bank of China as amended from time to time, being 3.65% as at the date of the Loan Framework Agreement.

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## LETTER FROM THE BOARD

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### 16 IMPLICATIONS UNDER THE LISTING RULES

The Parent held directly and indirectly 44.30% of the issued share capital of the Company as at the Latest Practicable Date and is a controlling shareholder of the Company. Therefore, members of the Parent Group (including Finance Company and the Connected Subsidiaries of the Company) constitute connected persons of the Company, and the transactions contemplated under the New Master Agreements, the Financial Services Framework Agreement and the Loan Framework Agreement constitute continuing connected transactions of the Company under the Listing Rules.

Based on the new annual caps for the Non-Exempt Continuing Connected Transactions, one or more of the applicable percentage ratios (other than the profits ratio) under Rule 14.07 of the Listing Rules are higher than 5%. As a result, the Non-Exempt Continuing Connected Transactions are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The loan transactions contemplated under the Loan Framework Agreement will also constitute a discloseable transaction which are subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules but are exempt from shareholders' approval requirement.

As one or more of the applicable percentage ratios as defined in Rule 14.07 of the Listing Rules for the Deposit Caps exceeds 25%, the deposit services to be provided by the Finance Company to the Group are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules. The deposit services transactions contemplated under the Financial Services Framework Agreement will also constitute a major transaction which is subject to the announcement and shareholders' approval requirements of Chapter 14 of the Listing Rules.

The loan services to be provided by the Finance Company to the Group are on normal or better commercial terms and are in the interest of the Group. No security over the assets of the Group will be granted to the Finance Company in respect of such loans. Such services will therefore be fully exempted from all reporting, announcement 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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### 17 INDEPENDENT BOARD COMMITTEE AND INDEPENDENT FINANCIAL ADVISER

The Non-Exempt Continuing Connected Transactions and their respective proposed annual caps will be subject to the Independent Shareholders' approval at the EGM. The Parent and its associates will abstain from voting on the ordinary resolutions for approving the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps at the EGM.

The Independent Board Committee comprising all the independent non-executive Directors (who have no material interest in the Non-Exempt Continuing Connected Transactions) has been established to advise and provide recommendation to the Independent Shareholders on the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps, and to advise the Independent Shareholders on how to vote. Donvex has been appointed by the Company as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this regard.

### 18 INFORMATION RELATING TO THE PARENT GROUP AND THE COMPANY

#### **The Parent**

The Parent is a state-owned limited liability company engaged in building material business in the PRC.

#### **The Company**

The Company is a leading building materials company in the PRC with significant operations in the basic building materials, new materials and engineering technology services businesses.

#### **Saima IOT**

Saima IOT is a controlled subsidiary of Ningxia Building Materials, a subsidiary of the Company, which is mainly engaged in the research and development, sales, system integration and technical services of software and hardware in the field of computer technology; Internet information technology services; provision of intelligent factory construction services; logistics business process management services, cargo transportation agency services, transportation vehicles leasing, wholesale and retail of oil and gas, and wholesale and retail of auto aftermarket products. As at the Latest Practicable Date, the Parent indirectly holds 10% equity interest in Saima IOT. Accordingly, each of Saima IOT and its subsidiaries constitutes a Connected Subsidiary of the Company.

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## LETTER FROM THE BOARD

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### **Sinoma International**

Sinoma International is a subsidiary of the Company, and is principally engaged in engineering technology services, operation and maintenance services, equipment manufacturing, environmental protection and other businesses. Its A-shares are listed and traded on the Shanghai Stock Exchange (stock code: 600970).

### **The Finance Company**

The Finance Company, a limited liability company incorporated under the laws of the PRC, was established in the PRC as a non-banking financial institution in April 2013. It is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include acceptance of deposits, loans, bills acceptance and discounting services and clearing and settlement services.

The Finance Company has a registered capital of RMB2,500 million, and is an approximately 58.33% held subsidiary of the Parent, while the other approximately 41.67% is held by the Company.

For the six months ended 30 June 2022, Finance Company has a capital adequacy ratio of approximately 13.53% (the regulatory requirement is not lower than 10.5%), and has a non-performing asset ratio of 0%, which is better as compared to the average levels in the finance company industry in the PRC for the six months ended 30 June 2022 of 0.455% <sup>(Note)</sup>.

*Note:* Statistics for the six months ended 30 June 2022 are provided by CNAFC.

### **Tianshan Cement**

Tianshan Cement is a subsidiary of the Company, and is principally engaged in the development, production and sale and technical services of cement and related products; import and export of building materials; production and sale of commercial concrete; mining, processing and sale of limestone and sandstone. Its A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877).

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## LETTER FROM THE BOARD

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### **CNBM Chizhou**

CNBM Chizhou is a non-wholly owned subsidiary of the Company and is principally engaged in production and sales of new building materials and products, composite materials and products, building stones, sand and gravel and aggregates. As at the Latest Practicable Date, the Parent indirectly holds 10% equity interest in CNBM Chizhou. Accordingly, each of CNBM Chizhou and its subsidiaries constitutes a Connected Subsidiary of the Company. As at the Latest Practicable Date, Tianshan Cement indirectly holds 60% equity interest in CNBM Chizhou.

### **19 EGM**

The EGM of the Company will be held at Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC on Monday, 19 December 2022 at 2:00 p.m.. A form of proxy for use at the EGM are enclosed with this circular. A notice of the EGM is set out on pages 97 to 102 of this circular.

Pursuant to Rule 13.39(4) of the Listing Rules, all resolutions will be passed by way of poll at the EGM. Any Shareholder with a material interest in the proposed appointment of executive Director, the proposed amendments to the Articles of Association, the Non-Exempt Continuing Connected Transactions, and his close associates will abstain from voting on the ordinary resolutions for approving (i) the proposed appointment of executive Director; (ii) the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps, and the special resolution for approving the proposed amendments to the Articles of Association at the EGM. To the extent that the Company is aware having made all reasonable enquiries, other than the Parent and its associates, no Shareholder will be required under the Listing Rules to abstain from voting on the ordinary resolutions for approving the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps at the EGM. As at the Latest Practicable Date, the Parent and its associates directly held 3,736,241,981 Shares, representing approximately 44.30% of total issued share capital of the Company, and controlled or were entitled to control over the voting right in respect of their shares in the Company. To the extent that the Company is aware having made all reasonable enquires, no Shareholder will be required under the Listing Rules to abstain from voting on the ordinary resolution for approving the proposed appointment of executive Director and the special resolution for approving the proposed amendments to the Articles of Association at the EGM.

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## LETTER FROM THE BOARD

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Holders of H Shares of the Company whose names appear on the register of the Company maintained by Tricor Investor Services Limited, the Company's H Share Registrar in Hong Kong, and holders of Domestic Shares of the Company whose names appear on the register of the Company on Monday, 19 December 2022 shall be entitled to attend the EGM. Whether or not you are able to attend the EGM, you are requested to complete and return the accompanying form of proxy in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the EGM (i.e. not later than at 2:00 p.m. on Sunday, 18 December 2022) or any adjournment thereof (as the case may be), and deposit it with Tricor Investor Services Limited, the Company's H Share Registrar in Hong Kong, at 17/F, Far East Finance Centre, 16 Harcourt Road, Hong Kong for holders of H Shares; or the office of the Company, at Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC for holders of Domestic Shares. Completion and return of the form of proxy will not preclude you from attending and voting at the EGM or any adjournment thereof should you so desire.

### 20 RECOMMENDATION

The Directors (including independent non-executive Directors, upon considering the opinions of the Independent Financial Adviser) consider that the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole, thus recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps at the EGM. As Mr. Zhou Yuxian and Mr. Chang Zhangli, being executive Directors, and Mr. Li Xinhua, Mr. Wang Yumeng and Mr. Peng Shou, being non-executive Directors, hold positions in the Parent and its controlled companies, they are deemed to have a material interest in the Non-Exempt Continuing Connected Transactions. They have abstained from voting on the relevant Board resolutions in respect of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps. Save as the Directors mentioned above, none of the Directors has a material interest in the Non-Exempt Continuing Connected Transactions or is required to abstain from voting on the relevant Board resolutions. In addition, the Board has authorized any one of the executive Directors to approve and confirm the deposit service transactions and its caps under the Financial Services Framework Agreement, and all other matters incidental thereto or in connection therewith, as he/she may in his discretion consider as desirable and to be in the interests of the Company, within the scope of authority of the Board.

The Directors consider that the proposed appointment of executive Director and the proposed amendments to the Articles of Association are in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolutions set out in the notice of the EGM.

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## LETTER FROM THE BOARD

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### 21 ADDITIONAL INFORMATION

Your attention is drawn to the letter from the Independent Board Committee to the Independent Shareholders set out on pages 41 to 42 of this circular and the letter from Donvex to the Independent Board Committee and the Independent Shareholders set out on pages 43 to 82 of this circular, and the information set out in the appendices of this circular.

By order of the Board

**China National Building Material Company Limited\***

**ZHOU Yuxian**

*Chairman of the Board*

Beijing, the PRC

25 November 2022





CNBM

**China National Building Material Company Limited\***

**中國建 材 股 份 有 限 公 司**

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

(Stock Code: 3323)

*Dear Independent Shareholders,*

**(1) CONTINUING CONNECTED TRANSACTION IN RELATION TO THE NEW  
MASTER AGREEMENTS**

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

**AND**

**(3) CONTINUING CONNECTED TRANSACTION AND DISCLOSEABLE  
TRANSACTION IN RELATION TO THE LOAN FRAMEWORK AGREEMENT**

Reference is made to the circular in relation to (i) the continuing connected transaction in relation to the New Master Agreements; (ii) the major transaction and continuing connected transactions in relation to the Financial Services Framework Agreement; and (iii) the discloseable transaction and continuing connected transaction in relation to the Loan Framework Agreement of China National Building Material Company Limited\* (the “**Company**”) dated 25 November 2022 (the “**Circular**”) of which this letter forms part. Terms defined in the Circular shall have the same meanings in this letter unless the context otherwise requires.

We have been appointed by the Board as the members of the Independent Board Committee to give a recommendation to Independent Shareholders on the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps and to advise the Independent Shareholders on how to vote. Donvex has been appointed by the Company as the Independent Financial Adviser to advise us and the Independent Shareholders in this regard.

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## LETTER FROM THE INDEPENDENT BOARD COMMITTEE

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Having considered the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps and taken into account the advice of Donvex, in particular the factors, reasons and recommendations set out in the letter from the Independent Financial Adviser in the Circular, we are of the view that the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole. Accordingly, we recommend the Independent Shareholders to vote in favour of the resolutions in relation to the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps at the EGM.

We wish to draw the attention of the Independent Shareholders to (1) the letter from the Board set out on pages 1 to 40 of the Circular, (2) the letter from the Independent Financial Adviser set out on pages 43 to 82 of the Circular, and (3) each of the appendices to the Circular.

Yours faithfully,  
**Independent Board Committee**

25 November 2022

<b>Sun Yanjun</b>	<b>Liu Jianwen</b>	<b>Zhou Fangsheng</b>	<b>Li Jun</b>	<b>Xia Xue</b>
<i>Independent non-executive director of the Company</i>	<i>Independent non-executive director of the Company</i>	<i>Independent non-executive director of the Company</i>	<i>Independent non-executive director of the Company</i>	<i>Independent non-executive director of the Company</i>

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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*The following is the full text of the letter of advice from Donvex Capital Limited setting out their advice to the Independent Board Committee and the Independent Shareholders, which has been prepared for the purpose of inclusion in this circular.*



Unit 2502, 25/F  
Carpo Commercial Building  
18–20 Lyndhurst Terrace  
Central  
Hong Kong

25 November 2022

*The Independent Board Committee and the Independent Shareholders of  
China National Building Material Company Limited \**

Dear Sir/Madam,

**(1) DISCLOSEABLE AND CONTINUING CONNECTED  
TRANSACTION WITH THE PARENT;  
(2) MAJOR AND CONTINUING CONNECTED TRANSACTION – PROVISION  
OF DEPOSIT SERVICES TO THE COMPANY; AND  
(3) DISCLOSEABLE AND CONTINUING CONNECTED TRANSACTION –  
PROVISION OF LOAN TO CNBM CHIZHOU**

### INTRODUCTION

We refer to our engagement as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in relation to:

- (i) the mutual provision of products and services between the Group and the Parent Group and its subsidiaries pursuant to the Master Agreement on Mutual Provision of Products and Services (the “**Mutual Provision of Products and Services**”);
- (ii) the procurement of engineering services from the Parent Group pursuant to the Master Agreement on Mutual Provision of Engineering Services (the “**Procurement of Engineering Services**”);
- (iii) the provision of deposit services to the Company under the Financial Services Framework Agreement (the “**Provision of Deposit Services**”); and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (iv) the provision of loan to CNBM Chizhou under the Loan Framework Agreement (the “**Provision of Loan**”),

details of which are set out in the letter from the Board (the “**Letter from the Board**”) contained in the circular of the Company dated 25 November 2022 (the “**Circular**”), of which this letter forms part. Unless the context requires otherwise, capitalised terms used in this letter shall have the same meanings as defined in the Circular.

As disclosed in the Letter from the Board, on 28 October 2022:

- (i) the Company entered into the Master Agreement on Mutual Provision of Products and Services with the Parent, pursuant to which the Parent Group and the Group will mutually provide products and services for the three years ending 31 December 2025;
- (ii) the Company entered into the Master Agreement on Mutual Provision of Engineering Services with the Parent, pursuant to which the Parent Group and the Group will mutually provide engineering design, construction and supervisory services for the three years ending 31 December 2025;
- (iii) the Company and Finance Company entered into the Financial Services Framework Agreement, pursuant to which Finance Company has agreed to provide, among other things, deposit services to the Group on a non-exclusive basis for the three years ending 31 December 2025; and
- (iv) Tianshan Cement, a subsidiary of the Company, entered into the Loan Framework Agreement with CNBM Chizhou, pursuant to which Tianshan Cement conditionally agreed to provide loans to CNBM Chizhou.

As at the Latest Practicable Date, the Parent is a controlling shareholder of the Company holding, directly and indirectly, approximately 44.30% of the issued share capital of the Company. Therefore, the members of the Parent Group are connected persons of the Company, and the Mutual Provision of Products and Services and the Procurement of Engineering Services constitute continuing connected transactions of the Company under the Listing Rules.

As at the Latest Practicable Date, Finance Company is owned as to approximately 58.33% by the Parent and is a non-wholly owned subsidiary of the Parent. As such, Finance Company is a connected person of the Company, and the Provision of Deposit Services constitutes continuing connected transactions of the Company under the Listing Rules.

As at the Latest Practicable Date, the Parent indirectly holds 10% equity interest in CNBM Chizhou, a subsidiary of the Company, through CNBM (Anhui) Non-metallic Mining Industry Co., Ltd., a wholly-owned subsidiary of the Parent. As such, CNBM Chizhou constitutes a Connected Subsidiary of the Company under the Listing Rules, and the Provision of Loan constitutes continuing connected transactions of the Company under the Listing Rules.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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As the highest applicable percentage ratios of the respective annual caps for the Mutual Provision of Products and Services, the Procurement of Engineering Services and the Provision of Loan exceed 5%, the Mutual Provision of Products and Services, the Procurement of Engineering Services and the Provision of Loan and their respective annual caps are subject to the reporting, announcement and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio for the Deposit Caps contemplated under the Provision of Deposit Services exceeds 25%, the Provision of Deposit Services and the Deposit Caps are subject to the reporting, announcement and Independent Shareholders' approval requirements of Chapter 14A of the Listing Rules.

The Independent Board Committee, comprising all the independent non-executive Directors, namely Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue, has been established to advise the Independent Shareholders on (i) whether the terms of the New Master Agreements, the Financial Services Framework Agreement and the Loan Framework Agreement are in the ordinary and usual course of business, on normal commercial terms, fair and reasonable and in the interest of the Company and the Independent Shareholders as a whole; (ii) whether the Non-Exempt Continuing Connected Transactions and their respective annual caps are fair and reasonable and in the interests of the Company and the Shareholders as a whole; and (iii) how the Independent Shareholders should vote in respect to the relevant resolution(s) to approve the Non-Exempt Continuing Connected Transactions at the EGM. In our capacity as the Independent Financial Adviser, our role is to advise the Independent Board Committee and the Independent Shareholders in this regard.

As at the Latest Practicable Date, the Parent directly and indirectly held an aggregate of approximately 44.30% of the issued share capital of the Company. As such, the Parent and its associates will abstain from voting on the relevant resolution(s) to approve the Non-Exempt Continuing Connected Transactions at the EGM.

### **INDEPENDENCE**

We did not act as financial adviser to the Group and its respective connected persons in the past two years immediately preceding the Latest Practicable Date.

In the past two years immediately preceding the Latest Practicable Date, we have acted as the independent financial adviser to independent board committee and independent shareholders of the Company for:

- (a) the discloseable and connected transaction in relation to the entering into of the subscription agreement with (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd., Triumph Science & Technology Group Company Limited, and Bengbu Huajin Technology Development Co., Ltd., details of which are set out in the circular of the Company dated 13 December 2021; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) the discloseable and connected transaction in relation to the acquisition of Building Materials Academy's equity interests in Hefei Institute by Sinoma International under the asset purchase agreement dated 26 August 2022, the deemed disposal of the Company's equity interests in Sinoma International, and the revision of annual cap for the year ending 31 December 2022 for the purchase of products and services from the Parent and its subsidiaries under the Original Master Agreement on Mutual Provision of Products and Services, details of which are set out in the circular of the Company dated 10 October 2022 (collectively, the "**Previous Engagements**").

Under the Previous Engagements, we were required to express our opinion on and give recommendations to the independent board committee and independent shareholders of the Company in relation to (i) the entering into of the subscription agreement and the subscription contemplated thereunder; and (ii) the acquisition of the equity interests in Hefei Institute, the deemed disposal of the equity interests in Sinoma International, and the revision of annual cap for the purchase of products and services from the Parent and its subsidiaries. Apart from the independent financial adviser roles in connection with the Non-Exempt Continuing Connected Transactions and the Previous Engagements, we have not acted in any capacity of the Group in the past two years immediately preceding the Latest Practicable Date.

As at the Latest Practicable Date, we did not have any relationship with or interest in the Company or any other parties that could reasonably be regarded as relevant to our independence.

We are independent from and not connected with the Group pursuant to Rule 13.84 of the Listing Rules and, accordingly, are qualified to advise the Independent Board Committee and the Independent Shareholders in relation to the Non-Exempt Continuing Connected Transactions. Apart from the normal advisory fee payable to us in connection with our appointment as the independent financial adviser, no arrangement exists whereby we shall receive any other fees or benefits from the Company.

### **BASIS OF OUR OPINION**

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained in the Circular and the information and representations provided to us by the Directors and management of the Company. We have no reason to believe that any information and representations relied on by us in forming our opinion is untrue, inaccurate or misleading, nor are we aware of any material facts the omission of which would render the information provided and the representations made to us untrue, inaccurate or misleading. We have assumed that all statements, information, opinions and representations contained or referred to in the Circular, which have been provided by the Directors and management of the Company and for which they are solely and wholly responsible, were true and accurate at the time they were made and continue to be true until the date of the EGM.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The Directors have collectively and individually accepted full responsibility for the accuracy of the information contained in the Circular and have confirmed that, having made all reasonable enquiries, to the best of their knowledge and belief, the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no material facts and representations the omission of which would make any statement in the Circular or the Circular misleading.

We consider that we have reviewed sufficient information to reach an informed view regarding the Non-Exempt Continuing Connected Transactions and to justify reliance on the accuracy of the information contained in the Circular and to provide a reasonable basis for our recommendation. We have not, however, for the purpose of this exercise, conducted any form of independent in-depth investigation or audit into the businesses or affairs or future prospects of the Group, nor have we considered the taxation implication on the Group.

Our opinion is based on the financial, economic, market, 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 any material change in market and economic conditions) may affect and/or change our opinion, and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise, or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell, or buy any Shares or any other securities of the Company.

This letter is issued for the information for the Independent Board Committee and the Independent Shareholders solely in connection with the Non-Exempt Continuing Connected Transactions, and, except for its inclusion in the Circular, is not to be quoted or referred to, in whole or in part, nor shall this letter be used for any other purpose, without our prior written consent.

### PRINCIPAL FACTORS AND REASONS CONSIDERED

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

#### **A. Background information of the parties**

##### ***1. The Company***

The Company is a leading building materials company in the PRC with significant operations in basic building materials, new materials and engineering technical services businesses.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### 2. *The Parent*

The Parent is a state-owned limited liability company that engages in the business of building materials in the PRC.

### 3. *Saima IOT*

As at the Latest Practicable Date, Saima IOT is (i) a non-wholly and indirectly owned subsidiary of the Company; and (ii) directly owned as to 10% by China National Building Materials and Equipment Import and Export Corporation\* (中建材集團進出口有限公司), a directly and wholly owned subsidiary of the Parent.

Saima IOT is mainly engaged in the research and development, sales, system integration and technical services of software and hardware in the field of computer technology; internet information technology services; provision of intelligent factory construction services; logistics business process management services, cargo transportation agency services, transportation vehicles leasing, wholesale and retail of oil and gas, and wholesale and retail of auto aftermarket products.

### 4. *Finance Company*

Finance Company, a limited liability company incorporated under the laws of the PRC, was established in the PRC as a non-banking financial institution in April 2013. Finance Company is licensed and regulated by the CBIRC and is engaged in the provision of financial services which principally include acceptance of deposits, loans, bills acceptance and discounting services and clearing and settlement services.

As at the Latest Practicable Date, Finance Company has a registered capital of RMB2,500 million and is held as to approximately 58.33% by the Parent and approximately 41.67% by the Company.

The tables below set forth a summary of the key financial information of Finance Company for the year ended 31 December 2020 (“FY2020”), 31 December 2021 (“FY2021”), for the nine months ended 30 September 2021 (“9M2021”), and nine months ended 30 September 2022 (“9M2022”):

	<b>FY2021</b>	<b>FY2020</b>	<b>9M2022</b>	<b>9M2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Net interest income	158,398	134,241	119,562	101,180
Profit after taxation	58,854	29,544	673	76,121



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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	<b>30 September</b>	<b>As at</b>	
	<b>2022</b>	<b>31 December</b>	<b>31 December</b>
	<i>RMB'000</i>	<b>2021</b>	<b>2020</b>
	(Unaudited)	<i>RMB'000</i>	<i>RMB'000</i>
		(Audited)	(Audited)
Total assets	34,506,045	18,711,290	19,920,014
Total liabilities	31,752,337	17,233,256	18,712,834
Net assets	2,753,708	1,478,034	1,207,180

### *Net interest income*

The net interest income of Finance Company increased from approximately RMB134 million for FY2020 to RMB158 million for FY2021, which is mainly attributable to the increase in the interest income generated from loans as a result of the increase in the daily average loan balance.

The net interest income of Finance Company increased from approximately RMB101 million for the 9M2021 to RMB120 million for the 9M2022, which is mainly attributable to the increase in the interest income generated from loan and deposits with bank and other financial institutions. Such increase is mainly due to the increase in the daily average loan balance and the daily average balance of deposits with bank and other financial institutions.

### *Profit after taxation*

The profit after taxation of Finance Company increased from approximately RMB30 million for FY2020 to RMB59 million for FY2021, which is mainly attributable to the increase in the net interest income.

The profit after taxation of Finance Company decreased from approximately RMB76 million for 9M2021 to RMB0.7 million for 9M2022, which is mainly due to the increase of expected credit loss as a result of the significant increase in the loan balance.

### *Total assets*

The total assets of Finance Company decreased from approximately RMB19,920 million as at 31 December 2020 to approximately RMB18,711 million as at 31 December 2021, which is mainly due to the decrease in the deposits with bank and other financial institutions. Such decrease is mainly due to the decrease in the deposit received from the members of the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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The total assets of Finance Company increased from approximately RMB18,711 million as at 31 December 2021 to approximately RMB34,506 million as at 30 September 2022, which is mainly due to the increase in the deposits with banks and other financial institutions and loans and advances as a result of the increase in the deposit received from the members of the Group and the capital injected by its shareholders.

### *Total liabilities*

The total liabilities of Finance Company decreased from approximately RMB18,713 million as at 31 December 2020 to approximately RMB17,233 million as at 31 December 2021, which is mainly due to the decrease in the deposits received from the members of the Group.

The total liabilities of Finance Company increased from approximately RMB17,233 million as at 31 December 2021 to approximately RMB31,752 million as at 30 September 2022, which is mainly due to the increase in the deposits received from the Group.

As a financial institution regulated by the CBIRC, Finance Company is required to operate in compliance with Measures for the Administration of Finance Companies of Enterprise Groups (企業集團財務公司管理辦法) (the “**Measures**”) to prevent possible financial risk, including credit risk. Pursuant to the Measures, it requires the following:

- (i) in the event that Finance Company falls into financial difficulty, the Parent undertook that they would provide financial support to Finance Company to satisfy its capital need, such as injected additional capital into Finance Company, to restore its financial position; and

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) Finance Company is required to comply with certain financial ratio requirements set by the CBIRC from time to time. As provided by the Company, the below table sets out the key financial ratios of Finance Company as at 31 December 2021 and 30 September 2022 respectively:

<b>Financial ratios</b>	<b>Requirements of the CBIRC</b>	<b>As at 30 September 2022</b>	<b>As at 31 December 2021</b>
Capital adequacy ratio	Not less than 10.5%	13.66%	12.61%
Inter-bank borrowing balance to total capital ratio	Not more than 100%	Nil	Nil
Total amount of outstanding guarantees to total capital ratio	Not more than 100%	33.81%	53.84%
Total amount of investment to total capital ratio	Not more than 70%	47.61%	44.68%
Self-owned fixed assets to total capital ratio	Not more than 20%	0.19%	0.39%

As set out in the table above, Finance Company complied with the key financial ratio requirements set by CBIRC as at 31 December 2021 and 30 September 2022. As such, we are of the view that the Measures would mitigate the credit risk exposed to the Company when Finance Company provides deposit services to the Group.

### **5. *Tianshan Cement***

As at the Latest Practicable Date, Tianshan Cement is a subsidiary of the Company, and is principally engaged in the development, production and sale and technical services of cement and related products; import and export of building materials; production and sale of commercial concrete; and mining, processing and sale of limestone and sandstone. Its A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877).

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The tables below set forth a summary of the consolidated audited financial information of Tianshan Cement and its subsidiaries (collectively, the “**Tianshan Cement Group**”) extracted from the annual reports of Tianshan Cement for FY2020 and FY2021 disclosed on the website of Shenzhen Stock Exchange:

	<b>FY2020</b>	<b>FY2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total revenue	162,148,703	169,978,539
Profit after taxation	16,465,061	14,922,237

  

	<b>As at</b>	
	<b>31 December</b>	<b>31 December</b>
	<b>2020</b>	<b>2021</b>
	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)
Total assets	258,806,673	285,059,774
Total liabilities	165,229,995	193,739,901
Net assets	93,576,678	91,319,873

### *Total revenue*

The consolidated revenue of Tianshan Cement Group increased from approximately RMB162,149 million for FY2020 to approximately RMB169,979 million for FY2021, which was mainly attributable to the increase in the revenue generated from the sales of cement product.

### *Profit after taxation*

The consolidated profit after taxation of Tianshan Cement Group decreased from approximately RMB16,465 million for FY2020 to approximately RMB14,922 million for FY2021, which was mainly attributable to the increase in the research and development expenses.

### *Total assets*

The consolidated total assets of Tianshan Cement Group increased from approximately RMB258,807 million as at 31 December 2020 to approximately RMB285,060 million as at 31 December 2021, which was mainly due to the increase in the fixed assets and intangible assets.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### *Total liabilities*

The consolidated total liabilities of Tianshan Cement Group increased from approximately RMB165,230 million as at 31 December 2020 to approximately RMB193,740 million as at 31 December 2021, which mainly attributable to the increase of the dividend payable and long-term borrowings.

### **6. CNBM Chizhou**

As at the Latest Practicable Date, CNBM Chizhou is (i) a non-wholly owned subsidiary of Tianshan Cement, which is a subsidiary of the Company; and (ii) held as to 10% equity interest by CNBM (Anhui) Non-metallic Mining Industry Co., Ltd., a wholly-owned subsidiary of the Parent. CNBM Chizhou is principally engaged in production and sales of new building materials and products, composite materials and products, building stones, sand and gravel and aggregates.

The tables below set forth a summary of the key financial information of CNBM Chizhou for FY2020, FY2021, 9M2021, and 9M2022:

	<b>FY2021</b>	<b>FY2020</b>	<b>9M2022</b>	<b>9M2021</b>
	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
	(Audited)	(Audited)	(Unaudited)	(Unaudited)
Total revenue	–	–	–	–
Profit/(Loss) for the year/ period	(95,669)	(112)	95,781	(95,781)
			<b>As at</b>	
	<b>31 December</b>	<b>31 December</b>	<b>31 December</b>	<b>30 September</b>
	<b>2020</b>	<b>2021</b>	<b>2021</b>	<b>2022</b>
	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>	<i>RMB'000</i>
	(Audited)	(Audited)	(Audited)	(Unaudited)
Total assets	50,385	50,930	50,930	2,486,114
Total liabilities	385	1,026	1,026	1,486,114
Net assets	50,000	49,904	49,904	1,000,000

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### *Total revenue*

CNBM Chizhou did not generate any revenue for the two years ended 31 December 2021 and for 9M2022 since the sales of products has not commenced up to 30 September 2022, which is due to the reason that the production lines of CNBM Chizhou were still under construction and no products were manufactured up to the same date.

### *Profit/(Loss) for the year/period*

The loss for the year of CNBM Chizhou increased from RMB112 for FY2020 to RMB95,669 for FY2021, which is mainly attributable to the increase of the expected credit loss as a result of the increase in prepayments.

CNBM Chizhou incurred loss of RMB95,781 for 9M2021 and recorded profit of RMB95,781 for 9M2022, which is mainly due to the reversal of expected credit loss as a result of the reclassification of prepayments to construction in progress according to its construction progress.

### *Total assets*

The total assets of CNBM Chizhou slightly increased from approximately RMB50 million as at 31 December 2020 to approximately RMB51 million as at 31 December 2021.

The total assets of CNBM Chizhou increased from approximately RMB51 million as at 31 December 2021 to approximately RMB2,486 million as at 30 September 2022, which is mainly due to the increase in the construction in progress.

### *Total liabilities*

The total liabilities of CNBM Chizhou slightly increased from approximately RMB0.4 million as at 31 December 2020 to approximately RMB1 million as at 31 December 2021.

The total liabilities of CNBM Chizhou increased from approximately RMB1 million as at 31 December 2021 to approximately RMB1,486 million as at 31 December 2022, which is mainly due to the increase in the long-term loan.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **B. Master Agreement on Mutual Provision of Products and Services**

#### **1. Background**

The Original Master Agreement on Mutual Provision of Products and Services will expire on 31 December 2022. As the Group intends to continue such continuing connected transactions for the three years ending 31 December 2025, on 28 October 2022, the Company and the Parent entered into the Master Agreement on Mutual Provision of Products and Services to renew the Original Master Agreement on Mutual Provision of Products and Services.

#### **2. Reasons for and benefits of the entering into of the Master Agreement on Mutual Provision of Products and Services**

To justify the reasons for and benefits of entering into the Master Agreement on Mutual Provision of Products and Services, we have considered that the Company has been familiar with the operation requirements and the demands of the Parent Group due to its relationship and cooperation with the Parent for many years. Accordingly, the Company is able to provide the products and services based on different demands to the Parent Group on terms not less favourable than those provided to the independent third parties, or vice versa.

In light of above, we conclude that the entering into of the Master Agreement on Mutual Provision of Products and Services is fair and reasonable and in the interests of the Company and its Shareholders as a whole.

#### **3. Principal terms of the Master Agreement on Mutual Provision of Products and Services**

The following summarizes the principal terms of the Master Agreement on Mutual Provision of Products and Services.

##### *Date*

28 October 2022

##### *Parties*

(a) the Company; and

(b) the Parent

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### *Term*

Three years with effective from 1 January 2023 and will expire on 31 December 2025

### *Description of the transactions*

Pursuant to the Master Agreement on Mutual Provision of Products and Services:

- (i) the Company would purchase certain products and services from the Parent Group, including (a) raw materials and commodities (including grinding aid, spare parts, refractory materials, and coal etc.); (b) services for repair, design and installation of equipment; (c) technology services; (d) property management services; (e) logistics services; and (f) others; and
- (ii) the Company would provide certain products and services to the Parent Group, including (a) the provision of raw materials and commodities (including clinker, cement, lightweight building materials, etc.); (b) the supply of water, electricity and steam services; (c) the supply of logistics services; and (d) others.

### *Basis of pricing*

The prices of the products and services to be purchased or supplied by the Group shall be based on the following priorities:

- (i) the prices prescribed by the price control authorities of the PRC;
- (ii) if the prices mentioned in (i) above are not available, the guided prices issued by the relevant PRC government authorities;

As for the price prescribed by the price control authorities of the PRC and the guided prices issued by the relevant PRC government authorities, the state-prescribed fees and guided prices are applicable to water, electricity and coal, which are related to the cost of such products and services and published by the relevant PRC government authorities from time to time. According to the Pricing Law of the PRC, the PRC government may implement state-prescribed or guided price for specific products and services, if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guided price becomes available to the agreement in the future, the parties will execute such price first in accordance with the pricing principle of the agreement.



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- (iii) if the prices mentioned in (i) and/or (ii) above are not available, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets, among which:
  - (a) While purchasing products or services from the Parent Group, the Group will seek quotes from two or more comparable independent third parties through public tender or price inquiry. When using the method of public tender, the Group will issue the information in relation to potential transactions and obtain the bidding documents as well as details of the qualification and pricing from the independent third parties. When using the method of price inquiry, the Group will obtain quotes from two or more suppliers as independent third parties;
  - (b) While providing products or services to the Parent Group, the Group will charge to the Parent Group the same price as to the independent third party in accordance with the internal practice. The Group will make reference to the price of comparable products charged to two or more independent third parties in the same or nearby area, or in the PRC prior to the negotiation of the applicable price with the Parent Group; and
- (iv) if none of the prices mentioned in (i), (ii) and (iii) above is available, the prices will be determined based on the actual costs incurred in providing the same products and services plus a reasonable profit with reference to the general range of profit in the industry, and (a) the prices of products or services purchased by the Group from the Parent Group will be determined on terms not less favourable to the Group than those provided by independent third parties to the Group or provided by the Parent Group to independent third parties; (b) the prices of products or services provided by the Group to the Parent Group will be determined on terms that are no more favourable to the Group than those provided by the Group to independent third parties or provided by independent third parties to the Parent Group. The Group will determine whether the profit margin is in line with the market practice with reference to the historical average price in relation to relevant products (to the extent available) issued by the relevant industrial associations and/or the profit margin of comparable products and services disclosed by other listed companies.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **4. Assessment on the internal control procedures of the pricing method**

In assessing the internal control associated with the continuing connected transactions of the Mutual Provision of Products and Services, we have carried out the following procedures:

- (i) we have randomly selected two transactions under the purchase of certain products and services from the Parent Group by the Company occurred in each of FY2020, FY2021 and FY2022, and noted that the prices of the above transactions (a) were determined with reference to the market price; and (b) were no less favorable than those offered by the independent third parties; and
- (ii) we have randomly selected two transactions under the provision of certain products and services by the Company to the Parent Group occurred in each of FY2020, FY2021 and FY2022, and noted that the prices of the above transactions (a) were determined with reference to the market price; and (b) were no less favorable than those offered to the independent third parties by the Company.

Taking into account the above, we are of the view that the Group has adequate internal control policies and procedures in place to ensure that the pricing method under the Master Agreement on Mutual Provision of Products and Services is fair and reasonable.

### **C. Master Agreement on Mutual Provision of Engineering Services**

#### **1. Background**

The Original Master Agreement on Provision of Engineering Services will expire on 31 December 2022. As the Group intends to continue such the continuing connected transactions for the three years ending 31 December 2025, on 28 October 2022, the Company and the Parent entered into the Master Agreement on Mutual Provision of Engineering Services to renew the Original Master Agreement on Provision of Engineering Services.

#### **2. Reasons for and benefits of entering into the Master Agreement of Mutual Provision Engineering Services**

Having considered:

- (i) the Group has substantial demand for the upgrade services for the cement production line to fulfill the requirement on the carbon emissions issued by the PRC government;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) the anticipated demand from the Group for the construction service of the additional advanced cement production lines in accordance to the capacity reduction and replacement policy issued by the PRC government;
- (iii) Sinoma International is mainly engaged in the manufacturing of the cement-related equipment and the provision of engineering technology services, and has extensive experience on the construction and enhancement of production lines; and
- (iv) as at the Latest Practicable Date, Sinoma International can fully understand the business and operation needs as well as the requirements of the Company by providing the Company with engineering services with high quality over the past few years,

we concur with the Directors that the entering into of the Master Agreement on Mutual Provision of Engineering Services is fair and reasonable and in the interests of the Company and the Independent Shareholders as a whole.

### **3. *Principal terms***

The following summarizes the principal terms of the Master Agreement on Mutual Provision of Engineering Services.

#### *Date*

28 October 2022

#### *Parties*

- (a) the Company; and
- (b) the Parent

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### *Term*

Three years with effective from 1 January 2023 and will expire on 31 December 2025

### *Description of the transactions*

Pursuant to the Master Agreement on Mutual Provision of Engineering Services:

- (i) the Parent Group would provide (a) engineering design services; and (b) construction and supervisory services to the Company; and
- (ii) the Company would provide (a) engineering design services; and (b) construction and supervisory services to the Parent Group.

### *Basis of pricing*

The price of the engineering services to be procured from or provided to the Parent Group by the Group will be determined based on the following priorities:

- (a) the relevant guided prices issued by the relevant PRC government authorities, being the prices agreed by both parties within the range as stipulated by applicable PRC laws and regulations. As for the guided prices issued by the PRC government authorities, the state-prescribed fees and guided prices are applicable to water, electricity and coal, which are related to the cost of such products and services and published by the relevant PRC government authorities from time to time. According to the Pricing Law of the PRC, the PRC government may implement state-prescribed or guided price for specific products and services, if necessary, and such price will be promulgated in accordance with the requirements of relevant laws, regulations or administrative rules from time to time. If any state-prescribed price or guided price becomes available to the agreement in the future, the parties will execute such price first in accordance with the pricing principle of the agreement;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (b) if the prices mentioned in (a) above are not available, the market price available from or to independent third parties on arm's length basis based on normal commercial terms in the ordinary and usual course of business in the same or nearby area, or in the PRC, and the current prices will be monitored, revised and adjusted in accordance with the changes in market prices from time to time so as to be in line with the markets, among which:
- (i) while purchasing engineering services from the Parent Group, the Group will seek quotes from two or more comparable independent third parties through public tender or price inquiry. When using the method of public tender, the Group will issue the information in relation to potential transactions and obtain the bidding documents as well as details of the qualification and pricing from the independent third parties. When using the method of price inquiry, the Group will obtain quotes from two or more suppliers as independent third parties; and
  - (ii) while providing products or services to the Parent Group, the Group will charge to the Parent Group the same price as to the independent third party in accordance with the internal practice. The Group will make reference to the price of comparable products charged to two or more independent third parties in the same or nearby area, or in the PRC prior to the negotiation of the applicable price with the Parent Group; and
- (c) if the prices mentioned in (a) and (b) above are not available, the prices will be determined based on the actual costs incurred in providing equivalent engineering services plus a reasonable profit with reference to the general range of profit in the industry, and (i) the prices of engineering services provided to the Group by the Parent Group will be determined on terms not less favourable to the Group than those provided to the Group by independent third parties or by the Parent Group to independent third parties; (ii) the prices of engineering services provided by the Group to the Parent Group will be determined on terms that are no more favourable to the Group than those provided by the Group to independent third parties or by independent third parties to the Parent Group. The Group will determine whether the profit margin is in line with the industry conditions with reference to the historical average price in relation to the provision of engineering services (to the extent available) issued by the relevant industrial associations and/or the profit margin of comparable services disclosed by other listed companies.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

In the event that the contract is granted by way of tender, the price should be determined in accordance with the procedures of the local regulatory authority for the tender in the location of the construction project.

**D. Analysis on the proposed annual cap under the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services**

The table below shows (i) the existing annual caps for the three years ended/ending 31 December 2020, 2021 and 2022; and (ii) the proposed annual caps for each of the three years ending 31 December 2023 (“FY2023”), 31 December 2024 (“FY2024”), and 31 December 2025 (“FY2025”) for the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services, respectively.

Agreements	Existing/Proposed annual caps					
	FY2020	FY2021	FY2022	FY2023	FY2024	FY2025
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Master Agreement on Mutual Provision of Products and Services						
Including:						
Purchase of products and services from the Parent Group	2,592.96	2,601.97	8,673.00	14,753.79	15,444.54	16,489.79
Provision of products and services to the Parent Group	1,149.23	1,426.52	1,569.95	3,091.81	3,348.95	4,379.10
Master Agreement on Mutual Provision of Engineering Services						
Including:						
Procurement of engineering services from the Parent Group	N/A	N/A	N/A	10,236.63	11,347.81	12,133.65

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

**a. Master Agreement on Mutual Provision of Products and Services**

*I. Purchase of products and services from the Parent Group*

The following table sets out the historical transaction amounts of the purchase of products and services from the Parent Group for FY2020, FY2021 and six months period ended 30 June 2022 (“6M2022”):

		FY2020	FY2021	6M2022
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical transaction amount	a	781.58	2,495.34	1,826.29 <i>(Note 2)</i>
Annual cap before the revision on 10 October 2022	b	2,592.96	2,601.97	2,603.31
Utilization rate	c=a/b	30% <i>(Note 1)</i>	96%	70% <i>(Note 2)</i>
Annual cap upon the revision on 10 October 2022		2,592.96	2,601.97	8,673.00 <i>(Note 3)</i>

*Notes:*

- Given that the supply of coal was sufficient in the market in FY2020, the Group was able to purchase the coal with lower price from independent third parties as compared to the price of coal offered by the Parent Group. In light of above, in FY2020, the Group did not purchase the amount of coal from the Parent Group as estimated.
- The utilization rate for 6M2022 as shown in the table above amounted to approximately 70%. Such high utilization rate is mainly attributable to the fact that (i) the average selling price of the coal has significantly increased in 2022 as compared to FY2021 due to the shortage of supply of coal in the market; and (ii) Saima IOT commenced the provision of logistic services to the Group in 2022 since Saima IOT is able to provide such service at a price lower than that offered by the independent logistic companies.
- The annual cap under the purchase of products and services from the Parent Group for the year ending 31 December 2022 has been revised from approximately RMB2,603 million to approximately RMB8,673 million. Such significant increase was mainly due to (i) the estimation of the increase in the selling price of coal in the PRC in the second half of 2022; (ii) the demand for additional volume of coal for the manufacturing of cement; (iii) the demand for the service for design and installation of the cement production lines provided by the Parent Group to fulfill the carbon emission requirement issued by the PRC government; and (iv) the demand for the logistic service provided by Saima IOT in the second half of 2022. For details, please refer to the Company’s circular dated 11 October 2022 in relation to the revision of the annual cap of the continuing connected transaction for the year ending 31 December 2022.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are advised by the Directors that the proposed annual caps for the purchase of products and services from the Parent Group for FY2023, FY2024 and FY2025 mainly consisted of (i) logistic services for the building material products, including but not limited to cement clinker; (ii) coal supplied from the Parent Group as the fuel to support the production of cement; (iii) raw materials provided by the Parent Group for the production of building material products; and (iv) others.

We noted that the proposed annual caps for the purchase of products and services from the Parent Group for FY2023, FY2024 and FY2025 (which are RMB14,753.79 million, RMB15,444.54 million and RMB16,489.79 million, respectively) represent an increase of approximately 70%, 78% and 90%, respectively, when compared to the annual cap for FY2022.

As discussed with the Directors, both the existing and proposed annual caps for the purchase of products and services from the Parent Group are closely related to the Group's expansion on the building material business and the schedule of the production of building material products. The increasing trend in the proposed annual caps for the purchase of products and services from the Parent Group over the forthcoming three years is based on the (i) estimated increasing demand for the logistic services offered by Saima IOT, a connected subsidiary of the Company, as a result of the lower unit price for the logistics service provided by Saima IOT than that offered by the independent logistic companies; (ii) anticipated increasing trend of the coal price due to the global sanctions of the Russian energy export as a result of the outbreak of the Russia-Ukraine war; and (iii) estimated purchase on different types of raw material, including but not limited to cement aggregate materials, fire bricks, melt materials, carbon fiber and glass-fiber fabric from Sinoma International and subsidiaries of the Parent Group, as a result of the expansion of the scale of the Company's building material production segment.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### II. Provision of products and services to the Parent Group

The following table sets out the historical transaction amounts of the provision of products and services to the Parent Group for FY2020, FY2021 and 6M2022:

		<b>FY2020</b>	<b>FY2021</b>	<b>6M2022</b>
		<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical transaction amount	a	753.91	929.16	754.67
Annual cap	b	1,149.23	1,426.52	1,569.95
Utilization rate	c=a/b	66%	65%	48%

As shown in the table above, the utilization rates of the annual caps under the Original Master Agreement on Mutual Provision of Products and Services for the three years ending 31 December 2022 ranged from approximately 48% to 66%. As advised by the Directors, such low utilization rates are mainly attributable to the delay of the construction works for the own-used facilities of the Parent Group. Due to the outbreak of the COVID-19 in the PRC since FY2020, the PRC government has promulgated the quarantine requirements and implemented pandemic prevention measures in many cities. In light of the above, the construction progress of the above facilities from FY2020 to FY2022 has been substantially delayed. As such, the Parent Group did not purchase the expected amount of products, including building material and service from the Company for its construction during the same period.

We are advised by the Directors that the proposed annual caps for the provision of products and services to the Parent Group for FY2023, FY2024 and FY2025 mainly consisted of (i) logistic services provided by Saima IOT to the Parent Group for the delivery of coal and cement clinker; (ii) coal provided to the Parent Group; (iii) the service of the construction of the infrastructures for the mining projects; (iv) cement provided to the Parent Group; and (v) others.

We noted that the proposed annual caps for the provision of products and services to the Parent Group for FY2023, FY2024 and FY2025 (which are RMB3,091.81 million, RMB3,348.95 million and RMB4,379.10 million, respectively) represent an increase of approximately 97%, 113% and 179%, respectively when compared to the annual cap for FY2022.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

As discussed with the Directors, we understand the increase in the proposed annual caps for FY2023, FY2024 and FY2025 for the provision of products and services to the Parent Group is mainly attributable to (i) the demand from the Parent Group on the logistics service for the commodities and other building materials; (ii) disposal of the coal with the sales channels of the Parent Group as a result of the suspension under the periodic maintenance of cement production lines; (iii) the anticipated increasing demand from the Parent Group on the construction of the infrastructures for the additional mining projects, including the construction works for several tunnels with a total length of 13 kilometers; and (iv) increasing demand on the cement as a result of the additional own-used infrastructures of the Parent Group.

**b. Master Agreement on Mutual Provision of Engineering Services**

The following table sets out the historical transaction amounts of the procurement of engineering services from the Parent Group by the Group for FY2020, FY2021 and 6M2022:

	FY2020	FY2021	6M2022
	<i>RMB million</i>	<i>RMB million</i>	<i>RMB million</i>
Historical transaction amount, including the procurement of engineering services from:	6,292.20	9,115.84	3,916.03
Sinoma International and its subsidiaries ( <i>Note 1</i> )	5,934.06	8,225.58	3,795.97
Hefei Institute and its subsidiaries ( <i>Note 2</i> )	358.14	890.26	120.06
Annual cap	N/A	N/A	N/A

*Notes:*

1. Since 1 January 2020 and up to the Latest Practicable Date, Sinoma International is a subsidiary of the Company. Pursuant to the circular of the Company dated 11 October 2022, upon the completion of the acquisition of the equity interests in Hefei Institute by Sinoma International (the “**Completion**”), Building Materials Academy (a wholly owned subsidiary of the Parent as at the Latest Practicable Date) will directly hold 15.66% issued shares of Sinoma International. Hence, upon the Completion, Sinoma International will be a connected subsidiary of the Company. The Company expected that the Completion will take place in FY2023. The exact time for the Completion is uncertain as the above acquisition is subject to the approval of China Securities Regulatory Commission.
2. Since 1 January 2020 and up to the Latest Practicable Date, Hefei Institute is wholly owned by Building Materials Academy (a wholly owned subsidiary of the Parent as at the Latest Practicable Date) and hence a connected person of the Company.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We are advised by the Directors that the proposed annual caps for the procurement of engineering services from the Parent Group for FY2023, FY2024 and FY2025 mainly consisted of (i) the technical support in relation to the upgrade and enhancement for the cement production lines; (ii) construction service for the additional advanced cement production lines in accordance to the capacity reduction and replacement policy; and (iii) the installation service of the cement production lines under construction.

As discussed with the Directors, we understand that, when determining the proposed annual caps for the procurement of engineering services from the Parent Group for FY2023, FY2024 and FY2025, the Group has considered: (i) the historical amount incurred by the Group to the Sinoma International and Hefei Institute and/or their subsidiaries for the two years ended 31 December 2021 and 6M2022; (ii) the existing business scale and operations of the Group; (iii) the budget for the upgrade and enhancement service on the cement production lines to satisfy the carbon emission requirement; (iv) the estimated demand for the construction services for the advanced cement production lines complied with the capacity reduction and replacement policy issued by PRC government; and (v) the expected development of the Group's cement production business.

We are advised by the Directors that the increase in the proposed annual caps for the procurement of engineering services from the Parent Group for FY2023, FY2024 and FY2025 as compared to the historical transactions amounts during FY2020, FY2021 and 6M2022 is based on the (i) estimated increasing demand on the technical support in relation to the upgrade for the cement production lines to fulfill the requirement on the carbon emission issued by the PRC government; (ii) anticipated demand on the construction services for the additional cement production lines in accordance to the capacity reduction and replacement policy issued by the PRC government; and (iii) the estimated demand for the installation services of the cement production lines under construction.

***c. Our assessment on the proposed annual caps under the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services***

To arrive at our view on the proposed annual caps under the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services for FY2023, FY2024 and FY2025, we have performed the following work:

- (i) we have reviewed the historical amount for the Mutual Provision of Products and Services for FY2020 and FY2021, which are extracted from the annual report of the Company for FY2020 (the “**2020 Annual Report**”) and FY2021 (the “**2021 Annual Report**”), respectively;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) we have reviewed the existing annual caps for FY2020, FY2021 and FY2022 in relation to the transactions contemplated under the Original Master Agreement on Mutual Provision of Products and Services;
- (iii) we have reviewed the historical amount for the Procurement of Engineering Services for FY2020 and FY2021, which are extracted from the 2020 Annual Report and the 2021 Annual Report, respectively;
- (iv) we have reviewed the calculation and assumptions adopted in estimating the proposed annual caps under the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services for the three years ending 31 December 2025 prepared by the Company;
- (v) we have reviewed the breakdown of the logistic services to be provided by Saima IOT, and noted that the total weight and the aggregate amount are in line with the information provided by the Directors;
- (vi) we have collected the publicly available information from 21 companies which are listed in Shanghai Stock Exchange and Shenzhen Stock Exchange and engaged in the sales of coal, and noted that the selling prices of the coal per ton for the nine months ended 30 September 2022 ranged from approximately RMB559 per ton to approximately RMB1,396 per ton. The estimated average prices of the coal per ton for the proposed annual caps under the Master Agreement on Mutual Provision of Products and Services for FY2023, FY2024, and FY2025 fall within the above range;
- (vii) we have reviewed the research report of the coal industry, namely, Weekly Research Report of the coal industry: Long-term prices rising of coal and acceleration for the approval on the construction of thermal power station (《煤炭行業研究週報：動力煤年度長協價格提升，火電核准建設提速》) (website: [https://pdf.dfcfw.com/pdf/H3\\_AP202211061579995238\\_1.pdf?1667753239000.pdf](https://pdf.dfcfw.com/pdf/H3_AP202211061579995238_1.pdf?1667753239000.pdf)), dated 6 November 2022, issued by Cinda Securities Co., Ltd, a security firm established in the PRC. According to the aforementioned research report, the average domestic selling price of coal was RMB1,279 per ton on 4 November 2022, which remained stable comparing with the price of coal in the late October 2022. We noted that the prices of coal had shown an upward trend, which was mainly attributed to the expected increase in the demand for the coal in the future due to the fact that a number of thermal power stations are under construction in the PRC for the purpose of alleviating the shortage of electricity from 2022;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (viii) we have reviewed the construction plan for the production lines which will receive the enhancement and construction service offered by the Sinoma International, and we noted that the number and the aggregate amount of the above production lines are in line with the information provided by the Directors;
- (ix) we have reviewed the breakdown of the construction works of the mining infrastructures offered to the Parent Group in relation to the tunnel construction, and we noted that the total number of tunnel and the aggregate amount are in line with the information provided by the Directors;
- (x) we have reviewed the calculation of the proposed annual caps for the cement supplied to the Parent Group, and checked the invoices in relation to the cement transactions with independent third parties during the recent period. We noted that the estimated unit selling price of cement used for the determination of the proposed annual caps was based on the selling price of the cement per ton of the cement transactions with independent third parties in October and November 2022;
- (xi) we have reviewed the guidance letter for the implementation of the capacity reduction and replacement for the cement and glass industry (水泥玻璃行業產能置換實施辦法) issued by the Ministry of Industry and Information Technology of the PRC on 2 July 2021. We noted that the PRC government had required the cement and glass industry to complete the supply-side structural reform by replacing the low capacity production lines with the advanced production lines with higher capacity. As such, the Group estimated that the demand for the construction of the new cement production lines would increase; and
- (xii) we have reviewed the guidance letter in relation to the development of energy saving technology, targets for the carbon emissions, and the upgrade of the production lines (updated in 2022) (關於發佈《高耗能行業重點領域節能降碳改造升級實施指南(2022年版)》的通知) issued by National Development and Reform Commission of the PRC in February 2022. We noted that the PRC government had imposed more stringent requirements on the carbon emission during the manufacturing process of cement industry. Therefore, the Group shall upgrade its machineries and equipment to fulfill the emission requirements.

Having considered all the factors as mentioned above, we are of the view that the proposed annual caps under the Master Agreement on Mutual Provision of Products and Services and Master Agreement on Mutual Provision of Engineering Services for FY2023, FY2024 and FY2025 are justifiable, fair and reasonable and in the interests of the Company and Independent Shareholders as a whole.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### E. Financial Services Framework Agreement

#### 1. *Background*

As the Original Financial Services Framework Agreement will expire on 31 December 2022 and the Group intends to continue such the continuing connected transactions contemplated thereunder for the three years ending 31 December 2025, on 28 October 2022, the Company and Finance Company entered into the Financial Services Framework Agreement, pursuant to which Finance Company has agreed to provide, among other things, deposit services to the Group for the three years ending 31 December 2025 to the Group to renew the Original Financial Service Framework Agreement dated 30 September 2020.

#### 2. *Reasons for and benefits of entering into the Financial Services Framework Agreement*

##### (1) *Long-term and stable business relationship between the Group and Finance Company*

Considering that Finance Company has been providing deposit services to the Group for years, such long-term and stable business relationship between the Group and Finance Company has facilitated better understanding on the operation and needs of the Group. As such, Finance Company will be able to offer more convenient, efficient and flexible deposit services to the Group than other independent financial institutions do in the PRC. It also allows efficient allocation of the Group's funds as the Group can centralise its cash and potentially negotiate for better interest returns with Finance Company due to the high deposit amount.

##### (2) *An alternative source of financial services for the Group*

Given that the Financial Services Framework Agreement is non-exclusive, the entering into of the Financial Services Framework Agreement will simply be available to the Group as an alternative or additional source of financial services to be provided by Finance Company but will not limit the Group's choice in engaging any other banks or financial institutions to satisfy its need for financial services if better terms of financial services are available to the Group.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (3) *Same or lower credit risk associated with the deposit services of Finance Company than other independent financial institutions in the PRC*

The credit risk, which the Company would be exposed to, associated with the deposit services of Finance Company is the same as or lower than those of other independent financial institutions in the PRC on the basis that:

- (i) the activities of Finance Company are regulated by the CBIRC and it provides services within its approved scope in compliance with the relevant laws and regulations;
- (ii) the key financial ratios of Finance Company (as disclosed under the section headed “PRINCIPAL FACTORS AND REASONS CONSIDERED – A. Background information of the parties – 4. Finance Company”) indicated that its operations are in compliance with the CBIRC requirements; and
- (iii) as undertaken under the Finance Services Framework Agreement, the Parent will increase the capital investment in Finance Company accordingly to meet its actual needs to overcome the payment difficulties encountered by Finance Company.

### **3. *The Provision of Deposit Services***

- (a) *Principal terms*

The principal terms of the Provision of Deposit Services are set out below:

Date

28 October 2022

Parties

- (i) Finance Company; and
- (ii) the Company

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Term

The term of the Financial Services Framework Agreement is from 1 January 2023 to 31 December 2025.

### Pricing policy of the Provision of Deposit Services

Pursuant to the Financial Services Framework Agreement, the interest rate for the Group's deposits with Finance Company shall comply with the PBOC's regulations on interest rates for deposits of the same type from time to time, and will not be lower than:

- (i) the benchmark interest rate specified by the PBOC for deposits of the same category during the same period;
- (ii) the interest rate paid by Finance Company for deposits of the same type placed by members of the Parent Group with Finance Company during the same period under the same conditions; and
- (iii) the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the same period under the same conditions.

### Undertaking by the Parent

In the event that Finance Company encounters payment difficulties, the Parent will increase the capital investment in Finance Company accordingly to meet its actual needs to overcome such difficulties.

*(b) Our assessment on the pricing policy of the Provision of Deposit Services*

In assessing the fairness and reasonableness of the pricing policy of the Provision of Deposit Services, we have performed the following works:

- (i) We have reviewed the pricing policy of the Provision of Deposit Services as stated in the Financial Services Framework Agreement and noted that the interest rate for the deposit will be determined in compliance with the requirements of PBOC and based on the deposits benchmark interest rate promulgated by the PBOC for the provision of same type of deposit services.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) We have randomly selected two samples for FY2020, two samples for FY2021, and one sample for 9M2022 in relation to the provision of deposit services contemplated under the Original Financial Services Framework Agreement and noted that (a) the negotiated interest rates for deposit paid by Finance company in the two samples for FY2020 were both 1.72%; (b) the negotiated interest rates for deposit paid by Finance company in the two samples for FY2021 were both 1.90%; and (c) the negotiated interest rate for deposit paid by Finance company in the sample for 9M2022 was 1.90%. The above negotiated interest rates were the same as the ceiling specified by the PBOC, which is not lower than (a) the interest rate paid by Finance Company for same type of the deposits placed by members of the Parent Group; and (b) the interest rate of the deposits offered to the Group by PRC general commercial banks.

As such, we are of the view that the interest rates of the deposits offered by Finance Company are in compliance with the pricing policy of the Provision of Deposit Services for the two years ended 31 December 2021 and 9M2022.

(c) *Our assessment on the undertaking by the Parent*

In our assessment on the undertaking by the Parent, we have reviewed (i) the management account as at/for the nine months ended 30 September 2022 of the Parent; and (ii) the credit rating report of the Parent issued on 23 June 2022 by China Lianhe Credit Rating Co., Ltd., one of the major credit rating agencies filed in PBOC and China Securities Regulatory Commission. We noted that:

- (i) the balance of cash and cash equivalents of the Parent as at 30 September 2022 amounted to approximately RMB61,000 million, which is sufficient to cover the maximum annual cap under the Deposit Caps (i.e., RMB22,000 million) for the three years ending 31 December 2025; and
- (ii) based on the aforementioned credit rating report, the credit rating of the Parent is “AAA”, indicating the Parent has a strong capacity to meet financial commitments with a remote risk of default.

As such, we are of the view that the Parent has the capacity to increase the capital investment in Finance Company to meet its actual needs in the event that Finance Company encounters payment difficulties.

## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

### 4. *Historical maximum daily balance of the Provision of Deposit Services and the Deposit Caps*

The table below sets out (i) the comparison between the historical maximum daily balance of the Provision of Deposit Services for FY2020, FY2021, and 6M2022 and the existing annual caps for FY2020, FY2021 and FY2022 under the Original Financial Services Framework Agreement; and (ii) the Deposit Caps for the three years ending 31 December 2025 under the Financial Services Framework Agreement:

		For the year ended/ending 31 December					
		2020	2021	2022	2023	2024	2025
		<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>	<i>RMB</i>
		<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>	<i>million</i>
Annual cap	a	16,800	17,800	18,800	18,800	20,400	22,000
Maximum daily balance	b	10,800	9,900	13,700	<i>(Note 1)</i>		
Utilization rate	c=b/a	64.3%	55.6%	72.9%	<i>(Note 2)</i>		

*Notes:*

1. The amount of approximately RMB13,700 million represented the maximum daily balance for 6M2022.
2. The low utilization rates of approximately 64.3%, 55.6% and 72.9% for the two years ended 31 December 2021 and for 6M2022, respectively, were mainly due to the following reasons:
  - (i) the implementation of quarantine control measures for the COVID-19 in various cities in the PRC since 2020 has hindered the Group to open accounts in Finance Company as a result of (a) the substantial delay in the process to cooperate with Finance Company to complete the procedure of opening accounts; and (b) the suspension of courier services in the PRC and the delay in the delivery of certain documents required for opening accounts. In light of the above, the Group sought financial services from the local banks to facilitate their daily business and financial operation. As such, the number of members of the Group which opened accounts under Finance Company and the deposits placed under Finance Company was fewer than expected under the Original Financial Services Framework Agreement; and
  - (ii) in view of the outbreak of COVID-19 in the PRC, the timetable for the construction of the Parent's projects had been rescheduled and the expected completion time for the construction of the Parent's projects has been postponed. Based on the above, the Group did not raise as many loans from Finance Company as expected for the two years ended 31 December 2021 and 6M2022. As a result, the amount of fund was not deposited to Finance Company as anticipated before the loans were granted to the Group during the same period.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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In order to assess the fairness and reasonableness of the Deposit Caps, we have reviewed the breakdown of the calculation of the Deposit Caps and noted that the Deposit Caps were determined on the basis of:

- (i) the balance of cash and cash equivalent as at 30 June 2022 of the members of the Group to which Finance Company provided deposit services; and
- (ii) the percentages of the deposit which the members of the Group are expected to place in Finance Company for the three years ending 31 December 2025. Such percentages of the deposit were determined on the basis of (a) the forecasted cash outflow of respective members of the Group; (b) the remaining cash for necessary operation of respective members of the Group; (c) the remaining cash for conservative investment.

Based on the above, we are of the view that the Deposit Caps are fair and reasonable.

### **5. *Assessment on the internal control procedures***

As stated in the Letter from the Board, the Group has adopted certain internal control procedures to ensure the individual transactions are conducted within the Financial Services Framework Agreement. For details of the internal control procedures, please refer to the Letter from the Board.

The Company considers that the internal control procedures measures under the Financial Services Framework Agreement or adopted by the Group (as the case may be) are appropriate and sufficient, and that the procedures and measures give assurance to the Independent Shareholders that the Provision of Deposit Services will be appropriately monitored by the Company.

In assessing the internal control associated with the Provision of Deposit, we have carried out the following procedures to review the internal control regarding the Original Financial Service Framework Agreement:

- (i) we have discussed with the management of the Company and noted that Finance Department has performed check on transactions entered into under the Financial Services Framework Agreement to ensure compliance with pricing policies and the annual caps are not exceeded;

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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- (ii) we have randomly selected two samples for FY2020, two samples for FY2021, and one sample for 9M2022 from the email correspondence between the Group and the Company and noted that the relevant members of the Group to which Finance Company provided deposit services will monitor the actual transaction amounts and report to the Company if the actual transaction amount exceeds the estimated transaction amount forming the basis of the annual caps. The Company will monitor at the Group level to confirm that the aggregated transaction amounts are within the annual caps. We noted from the management of the Company that the Company was not aware of any aggregated transaction amounts exceeding annual caps for the two years ended 31 December 2021 and nine months ended 30 September 2022;
- (iii) we noted from the 2021 Annual Report that the independent non-executive Directors have reviewed the continuing connected transactions contemplated under the Original Financial Services Framework Agreement and confirmed that all such transactions were conducted (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (c) in accordance with the Original Financial Services Framework Agreement on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole; and
- (iv) we noted from the 2021 Annual Report that the auditors have reviewed the continuing connected transactions contemplated under the Original Financial Services Framework Agreement and confirmed that (a) nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board; (b) nothing has come to their attention that causes them to believe that the transactions were not conducted, in all material respects, in accordance with the pricing policy of the Group; (c) nothing has come to their attention that causes them to believe that the transactions were not conducted, in all material respects, in accordance with the terms of the agreement governing it; and (d) nothing has come to their attention that causes them to believe that the values of continuing connected transactions entered between the Group and its connected persons which were subject to annual caps have exceeded their respective annual caps.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Taking into account the above, we are of the view that:

- (i) the continuing connected transactions in relation to the provision of deposit services contemplated under the Original Financial Services Agreement have complied with the requirements under the internal control measures of the Group. As such, it is expected that the continuing connected transactions of the Provision of Deposit Services for the three years ending 31 December 2025 will be continue to be carried out in compliance with the internal control measures of the Company; and
- (ii) there are adequate internal control policies and procedures in place to ensure that the Deposit Caps will not be exceeded and the relevant Listing Rules will be complied with from time to time.

### **F. Loan Framework Agreement**

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

On 28 October 2022, Tianshan Cement, a subsidiary of the Company, entered into the Loan Framework Agreement with CNBM Chizhou, pursuant to which Tianshan Cement conditionally agreed to provide loans to CNBM Chizhou. Such transactions will constitute continuing connected transactions with CNBM Chizhou pursuant to the Loan Framework Agreement.

#### ***2. Reasons for and benefits of entering into the loan Framework Agreement***

##### *Strengthen the concrete business of Tianshan Cement Group*

Tianshan Cement is engaged in the development, production and sale of commercial concrete, which is made of cement and sand aggregate. As advised by the management of the Company, due to the shortage of the natural sand aggregate, Tianshan Cement Group intended to develop the manufacturing of the artificial sand aggregate to fulfill its demand for the production of commercial concrete. In light of the above, Tianshan Cement proposed to issue convertible corporate bonds and raise funds for the development of the manufacturing of the artificial sand aggregate.

In the event that Tianshan Cement successfully issues convertible corporate bonds and raises funds, Tianshan Cement will provide loans to (i) CNBM Chizhou to establish a corridor for the transportation of the sand aggregate; and (ii) China Building Materials New Materials Co., Ltd., a subsidiary of Tianshan Cement, to erect the production line of the sand aggregate.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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We further discussed the reasons for and the benefits of the establishment of the corridor for the transportation of the sand aggregate, and are advised by the management of the Company that the establishment of the corridor would be able to (i) monitor the trucks which deliver the sand aggregate to ensure the delivery of the sand aggregate would not be overload and hence comply with the rules under the Road Traffic Safety Law of the PRC; (ii) prevent the damages to the roads and highways of Chizhou City and thus lower the maintenance costs to the roads and highways incurred by Tianshan Cement Group; and (iii) reduce the noise and dust pollution to fulfill the requirements under the environmental, social, and corporate governance.

Based on the above, we are of the view that the Provision of Loan is able to strengthen the concrete business of Tianshan Cement Group.

### ***Low credit risk associated with the Provision of Loan***

The credit risk associated with the Provision of Loan is low due to the following reasons:

- (i) CNBM Chizhou is a non-wholly owned subsidiary of the Company. Hence, the Company has a thorough understanding on CNBM Chizhou including its financial position, financial performance and business operation. The Company is able to evaluate the loan repayment ability of CNBM Chizhou based on the business and financial information obtained from CNBM Chizhou; and
- (ii) the specific loans to be made under the Loan Framework Agreement are intended to be secured by guarantees, including but not limited to: (a) a guarantee by CNBM Chizhou with its assets; and (b) a guarantee by other shareholders of CNBM Chizhou who have not provided financial assistance in proportion to their shareholdings.

### **3. *The Provision of Loan***

#### ***(a) Principal terms***

The principal terms of the Provision of Loan are set out below:

Date

28 October 2022

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### Parties

- (i) Tianshan Cement (the “**Lender**”); and
- (ii) CNBM Chizhou (the “**Borrower**”)

### Subject matter

In the event that the Lender successfully issues convertible corporate bonds and raises funds, it will provide loans to the Borrower for the construction of the project, and provide loans according to the construction progress of the project.

### Effective conditions

The Loan Framework Agreement shall come into force from

- (i) signing and sealing by the respective legal representatives or authorised representatives of the Lender and the Borrower; and
- (ii) the date of the occurrence of the first actual loan under the agreement.

### Terms

Three years from the effective date of the Loan Framework Agreement.

### Security

The specific loans to be made under the Loan Framework Agreement are intended to be secured by guarantees, including but not limited to: (i) a guarantee by the Borrower with its assets; and (ii) a guarantee by other shareholders of the Borrower who have not provided financial assistance in proportion to their shareholdings.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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Principal and accrued interest amount of the Loan Framework Agreement

The Lender will, based on the principle of marketization, charge interest from the Borrower at the fair market level, and the interest rate (i) shall not be lower than the inter-bank loan prime rate calculated and published by the National Inter-bank Funding Center as authorised by the People's Bank of China on the date of entering into specific agreement; and (ii) shall not be lower than the financing cost of the Lender's public issuance of convertible corporate bonds. The Lender and the Borrower shall separately sign specific loan agreement in accordance with the terms and conditions set forth in the Loan Framework Agreement. The specific interest rate and payment method will be specified in the loan contract officially signed by both parties.

Repayment of loans and payment of interest

Upon expiry of the term of specific loan made under the Loan Framework Agreement, the Borrower shall pay off the principal and interest of the loan in cash.

*(b) Assessment on the securities*

In assessing the value of the security made by guarantees, we have reviewed (i) the financial statements as at 30 September 2022 of CNBM Chizhou and the Parent; and (ii) the credit rating report of the Parent issued on 23 June 2022 by China Lianhe Credit Rating Co., Ltd. We noted that:

- (i) the balance of cash and cash equivalents of CNBM Chizhou as at 30 September 2022 amounted to approximately 279 million and the balance of cash and cash equivalents of the Parent as at 30 September 2022 amounted to approximately RMB61,000 million. In the event that the full amount of the Deposit Cap (i.e., RMB22,000 million) has been defaulted, the cash and cash equivalent of the Parent would still be sufficient to cover the Loan Cap (i.e., RMB2,600 million); and
- (ii) based on the aforementioned credit rating report, the credit rating of the Parent is "AAA", indicating the Parent has a strong capacity to meet financial commitments with a remote risk of default.

As such, we are of the view that the value of the security is sufficient to secure the loan under the Loan Framework Agreement.



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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### **4. *The Loan Caps***

As stated in the Letter from the Board, the Company expects that during the term of the Loan Framework Agreement, the maximum daily balance (including accrued interest) of the loans to be provided by Tianshan Cement to CNBM Chizhou will be RMB2,600 million.

In order to assess the fairness and reasonableness of the Loan Caps, we have reviewed the feasibility analysis report on the convertible corporate bonds issued by Tianshan Cement and noted that the Loan Caps were determined based on the estimated investment for the construction of the corridor project, consisting of (i) construction costs; (ii) equipment fee; (iii) installation costs; and (iv) other construction fees including expenses for land acquisition, demolition, high-voltage line relocation, etc.

Based on the above, we are of the view that the Loan Caps are fair and reasonable.

### **5. *Assessment on the internal control procedures***

As stated in the Letter from the Board, the Group will adopt certain internal control procedures to ensure the transactions contemplated under the Loan Framework Agreement will be conducted in accordance with the terms and conditions thereof. For details of the internal control procedures, please refer to the Letter from the Board.

We are noted by the management of the Company that the transactions contemplated under the Loan Framework Agreement will be reviewed by the internal audit department of the Company, the independent non-executive Directors and the auditors of the Group. As such, we are of the view that:

- (i) it is expected that the continuing connected transactions of the Provision of Loan for the three years ending 31 December 2025 will be conducted on normal commercial terms or better and in compliance with the internal control measures of the Company; and
- (ii) there are adequate internal control policies and procedures in place to ensure that the Loan Caps will not be exceeded and the relevant Listing Rules will be complied with from time to time.

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## LETTER FROM THE INDEPENDENT FINANCIAL ADVISER

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### RECOMMENDATION

Having considered the abovementioned principal factors and reasons, we are of the view that the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are on normal commercial terms or better and entered into in the ordinary and usual course of business of the Group, and the terms of the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps are fair and reasonable and in the interest of the Company and the Shareholders as a whole.

Accordingly, we advise the Independent Board Committee to recommend the Independent Shareholders, and we also recommend the Independent Shareholders, to vote in favor of the ordinary resolution(s) to be proposed at the EGM to approve the Non-Exempt Continuing Connected Transactions and their respective proposed annual caps.

Yours faithfully,  
For and on behalf of  
**Donvex Capital Limited**  
**Vily Leung**  
*Director*

*Ms. Vily Leung is a person licensed to carry out type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance and is a responsible officer of Donvex Capital Limited who has around 12 years of experience in corporate finance advisory.*

\* *For identification purpose only*

**1. THE GROUP'S FINANCIAL INFORMATION**

The audited consolidated financial information of the Company for each of the three years ended 31 December 2019, 2020 and 2021 have been disclosed in the annual reports of the Company for the years ended 31 December 2019, 2020 and 2021 in accordance with IFRS, respectively. The unaudited condensed consolidated interim financial information of the Company as of and for the six months ended 30 June 2022 have been disclosed in the interim report of the Company for the six months ended 30 June 2022. Details of the financial statements have been published on the Stock Exchange website (<http://www.hkexnews.hk>) and the Company's website (<http://www.cnbmltd.com/>):

- (i) in respect of the annual report of the Company for the year ended 31 December 2021 published on 13 April 2022 (pages 148 to 350)
- (ii) in respect of the annual report of the Company for the year ended 31 December 2020 published on 8 April 2021 (pages 145 to 334)
- (iii) in respect of the annual report of the Company for the year ended 31 December 2019 published on 2 April 2020 (pages 155 to 352)
- (iv) in respect of the interim report of the Company for the six months ended 30 June 2022 published on 31 August 2022 (pages 72 to 138)

**2. INDEBTEDNESS****(i) Borrowings**

At the close of business on 30 September 2022, being the Latest Practicable Date for the purpose of this indebtedness statement prior to the printing of this circular, the Group had the following outstanding borrowings:

RMB'000

Borrowings:	
– Bank borrowings, secured	2,095,996
– Bank borrowings, guaranteed	31,896,693
– Bank borrowings, unsecured	100,790,968
– Bonds	52,000,000
– Borrowings from other financial institutions, secured	662,507
	<hr/>
	187,446,164
Lease liabilities	3,019,780
Other borrowings	23,306,121
	<hr/>
	213,772,065
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**(ii) Pledge of assets**

At the close of business on 30 September 2022, the Group has pledged the following assets for securing bank borrowings:

RMB'000

Property, plant and equipment	3,601,938
Right of use assets	1,372,940
Cash and cash equivalents	4,277
Trade receivables	217,657
Bills receivable	3,086,298
	<hr/>
	8,283,110
	<hr/> <hr/>

**(iii) Commitment**

At the close of business on 30 September 2022, the Group had commitment for acquisition of property, plant and equipment of approximately RMB3,056 million.

**(iv) Contingent liabilities**

At the close of business on 30 September 2022, the Group did not have any contingent liabilities.

(v) **Disclaimers**

Save as aforesaid or as otherwise disclosed herein, and apart from intra-group liabilities and normal trade and other payables in the ordinary course of business, the Group did not have any other loan capital issued or agreed to be issued, bank overdrafts, loans, debt securities issued and outstanding, and authorised or otherwise created but unissued and term loans or other borrowings, indebtedness in the nature of borrowings, liabilities under acceptance (other than normal trade bills) or acceptance credits, debentures, mortgages, charges, finance lease or hire purchase commitments, which are either guaranteed, unguaranteed, secured or unsecured, guarantees or other material contingent liabilities outstanding on 30 September 2022.

**3. FINANCIAL AND TRADING PROSPECTS OF THE COMPANY**

From a global perspective, the progress of economic recovery is still uncertain; as for China, the foundation for economic recovery is not yet stable; from an industry perspective, the basic building materials industry is significantly influenced by the macroeconomic, and the development of new materials industry is not balanced. In the second half of 2022, with the new round of policy to stabilize growth being strengthened, China's economy entered a recovery phase, bringing stable market support for the building materials industry, which remained in a booming period in general; green and low-carbon, digital economy and intelligent manufacturing will further deepen the transformation and upgrade; however, there are still challenges brought by high fluctuations in raw material prices.

The Group adhered to a goal-oriented approach, maintained its strength, and based on accelerating the construction of a world-class material enterprise, further implemented various works such as seeking progress in a stable manner, optimizing and upgrading, innovation-driven, deepening reform and value management:

Firstly, the Group will adhere to seek progress in a stable manner and devote to stabilize growth. We will strengthen the refinement of operation, deeply implement the concept of "PCP", and maintain the ecology of the industry; strengthen the refinement of management, comprehensively strengthen the bench marking management, and further realize the improvement of quality and efficiency; strengthen the organizational refinement, reduce the number of management hierarchy and legal entities, and improve efficiency through business adjustment and flat management.

Secondly, the Group will insist on optimization and upgrade to enhance the competitiveness of the main business. The Group will optimize the path of the basic building materials segment, grasp the three tail-raising factors of Cement+, internationalization and double carbon, focus on the optimization of the stock, accelerate the optimization and upgrade with incremental benefits, and steadily improve the quality of operation; optimize the structure of the new materials segment, accelerate the business layout of mature and advantageous products, and cultivate a globally competitive main business layout for new materials; optimize the quality of the engineering and technical services segment, provide services for the Group and the industry in energy saving and emission reduction, digital and intelligent transformation, and provide support for international business expansion.

Thirdly, the Group will insist on innovation-driven and cultivating new momentum for development. The Group will accelerate the breakthrough of a batch of “bottleneck” of key core technologies to realize the transformation of innovation results to productivity; seize the opportunity of low-carbon development, target the incremental market of industrial upgrade, and construct a green and low-carbon industrial chain; optimize the technology and capacity system of digital and intelligent, and accelerate the implementation of smart factory construction planning and standards.

Fourthly, the Group will deepen the reform and push forward the extension of reform to a deeper level. The Group will refine and summarize its experience and practice from the three-year action plan for the reform, form a long-term mechanism and consolidate the reform achievements; deepen the reform of the Three Systems and actively apply medium- and long-term incentive tools to further stimulate development momentum; promote a more mature and established modern enterprise system, and better balance the relationship between the standardized operation of the board of directors and management efficiency; promote professional integration in an orderly manner, consolidate the industrial platform and realize a more focused main business, clearer business and more prominent core competencies.

Fifthly, the Group will strengthen value management. The Group will adhere to the value management concept of enhancing intrinsic value as the core, take into account both value creation and value realization, promote in-depth capital operation, and facilitate the matching of intrinsic value and market value; adhere to the coordination and linkage between the industrial market and the capital market, and promote more high quality assets to connect to the multi-level capital market with the platform of the Parent’s state-owned capital investment company.

**4. WORKING CAPITAL**

The Directors are of the opinion that, the financial resources available to the Group, including but not limited to the internally generated funds, cash and cash equivalents on hands, available facilities from bank and financial institutions, the working capital available to the Group is sufficient for the Group's requirements for at least 12 months from the date of this circular.

**5. FINANCIAL EFFECT OF THE FINANCIAL SERVICES FRAMEWORK AGREEMENT ON THE EARNINGS, ASSETS AND LIABILITIES OF THE GROUP**

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

**6. NO MATERIAL ADVERSE CHANGE**

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

**1. RESPONSIBILITY STATEMENT**

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 any statement herein or this circular misleading.

**2. DISCLOSURE OF INTERESTS IN SHARES****I. Interests and short positions of the Directors, Chief Executive and Supervisors**

As at the Latest Practicable Date, so far as the Directors, chief executive or supervisors of the Company are aware, none of the Directors, chief executive or supervisors of the Company had interests and short positions in the Shares, underlying Shares and/or debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO) which were required (a) to be notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests or short positions which they are taken or deemed to have under such provisions of the SFO); or (b) pursuant to section 352 of the SFO, to be entered in the register referred to therein; or (c) pursuant to the Model Code of Securities Transactions by Directors of Listed Issuers to be notified to the Company and the Stock Exchange.



## II. Interests of Shareholders disclosable pursuant to the SFO

As at the Latest Practicable Date, so far as is known to the Directors, chief executive or supervisors of the Company, the following persons (other than a Director, chief executive or supervisor of the Company) had an interest or short position in the Shares or underlying Shares of Company (as the case may be) which would fall to be disclosed to Company and the Stock Exchange under the provisions of Division 2 and 3 of Part XV of the SFO or which were recorded in the register required to be kept by Company under Section 336 of the SFO or had otherwise notified the Company are as follows:

Name of Substantial Shareholders	Class of Shares	Long/short position/ Lending pool	Capacity	Number of Shares held	Notes	Percentage of the relevant class of share capital (%) <sup>1</sup>	Percentage of total share capital (%) <sup>1</sup>
Parent	Domestic Shares	Long	Beneficial owner	628,592,008			
	Domestic Shares	Long	Interest of controlled corporations	2,984,713,973			
				3,613,305,981	2	93.21	42.84
	H Shares	Long	Beneficial owner	8,536,000			
	H Shares	Long	Interest of controlled corporations	114,400,000			
			122,936,000		2.70	1.46	
BNBMG	Domestic Shares	Long	Beneficial owner	1,485,566,956			
	Domestic Shares	Long	Other	227,719,530	3		
				1,713,286,486	2	44.20	20.31
Sinoma Parent	Domestic Shares	Long	Beneficial owner	1,270,254,437	2	32.77	15.06
Taishan Finance	Domestic Shares	Long	Interest of	263,318,181	4	6.79	3.12
			controlled corporations				
Taishan Investment	Domestic Shares	Long	Beneficial owner	263,318,181	4	6.79	3.12
CNBM United Investment	Domestic Shares	Long	Beneficial owner	227,719,530	2	5.87	2.70
	H Shares	Long	Beneficial owner	107,600,000		2.36	1.28
GIC Private Limited	H Shares	Long	Investment manager	365,879,460		8.02	4.33
China Cinda Asset Management Co., Ltd.	H Shares	Long	Beneficial owner	272,319,926		5.97	3.23

*Notes:*

1. As at the Latest Practicable Date, the Company's total issued share capital comprised 8,434,770,662 shares, including 3,876,624,162 Domestic Shares and 4,558,146,500 H Shares.
2. Of these 3,613,305,981 Shares, 628,592,008 Shares are directly held by the Parent, the remaining 2,984,713,973 Shares are deemed corporate interest indirectly held through BNBMG, Sinoma Parent, CNBM United Investment and Building Materials Academy. Sinoma Parent, CNBM United Investment and Building Materials Academy are wholly-owned subsidiaries of the Parent. BNBMG is a subsidiary of the Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held and 29.96% is indirectly held through China National Building Material Import and Export Co., Ltd. Under the SFO, the Parent is deemed to own the Shares directly held by BNBMG (1,485,566,956 Shares), Sinoma Parent (1,270,254,437 Shares), CNBM United Investment (227,719,530 Shares) and Building Materials Academy (1,173,050 Shares).
3. BNBMG is taken to have an interest in such Shares as it is entitled to control the exercise of a right conferred by the holding of such Shares.
4. Taishan Investment is a wholly-owned subsidiary of Taishan Finance. Under the SFO, Taishan Finance is deemed to own 263,318,181 Shares directly held by Taishan Investment.

Save as disclosed above, as at the Latest Practicable Date, the Company has not been notified by any persons who have interests or short positions in the Shares or underlying Shares of the Company which would fall to be disclosed to the Company under the provisions of Divisions 2 and 3 of Part XV of the SFO, or which were recorded in the register required to be kept by the Company under Section 336 of the SFO.

### 3. DIRECTORS' AND SUPERVISORS' EMPLOYMENT WITH SUBSTANTIAL SHAREHOLDERS

The followings are the particulars of Directors' and Supervisors' employment with substantial shareholders as at the Latest Practicable Date:

<b>Name</b>	<b>Position in the Company</b>	<b>Position held in the substantial shareholder</b>
Zhou Yuxian	Chairman and executive Director of the Company	Chairman and executive Director of the Parent
Chang Zhangli	President and executive Director of the Company	Secretary to the Party Committee of the Parent
Li Xinhua	Non-executive Director of the Company	President and Director of the Parent
Wang Yumeng	Non-executive Director of the Company	Vice President of the Parent
Peng Shou	Non-executive Director of the Company	General Engineer of the Parent

Name	Position in the Company	Position held in the substantial shareholder
Shen Yungang	Non-executive Director of the Company	Deputy general manager of the No. 1 strategic client department of China Cinda Asset Management Co., Ltd. (中國信達資產管理股份有限公司)
Fan Xiaoyan	Non-executive Director of the Company	Director and general manager of Taishan Finance
Zhan Yanjing	Supervisor of the Company	Chief accountant of the Parent
Wei Rushan	Supervisor of the Company	Vice President of the Parent
Zhang Jianfeng	Supervisor of the Company	The secretary to the board of directors of BBMG Corporation (北京金隅集團股份有限公司)

#### 4. MATERIAL CONTRACTS

The following contracts (being contracts not entered into in the ordinary course of business) have been entered into by the Group within the two years up to and including the Latest Practicable Date which are or may be material:

1. The Company entered into an indicative asset purchase agreement with Xinjiang Tianshan Cement Co., Ltd.\* (the “**Tianshan Cement**”, an A-share listed subsidiary of the Company) dated 7 August 2020 in connection with the proposed disposal by the Company of its equity interests in China United Cement Corporation (the “**China United Cement**”, a subsidiary of the Company), South Cement Company Limited (“**South Cement**”, a subsidiary of the Company), Southwest Cement Company Limited (the “**Southwest Cement**”, a subsidiary of the Company) and Sinoma Cement Co., Ltd. (the “**Sinoma Cement**”, a subsidiary of the Company, together with Tianshan Cement, China United Cement and Southwest Cement, the “**Target Companies**”) in consideration for shares to be issued to the Company by Tianshan Cement. On the same date, Tianshan Cement entered into indicative agreements with 27 minority shareholders of South Cement or Southwest Cement (as the case may be) (the “**Independent Sellers**”), in connection with Tianshan Cement’s proposed acquisition from the Independent Sellers of most of the equity interests in two Target Companies which are not held by the Company, in consideration for shares to be issued to the Independent Sellers by Tianshan Cement. On 2 March 2021, the Company entered into a supplemental agreement with Tianshan Cement to agree on the consideration of the above restructuring arrangement. On the same date, Tianshan Cement entered into supplemental agreements with the Independent Sellers (except for the two Independent Sellers who signed termination agreements with Tianshan Cement to terminate their respective supplement agreement) to agree on the consideration of Tianshan Cement’s acquisition of the Independent Sellers’ (except for the Excluded Sellers’) equity interests in South Cement or Southwest Cement (as the case may be).

2. China United Cement and Henan Investment Group entered into an amended and restated cooperation agreement afresh on 24 May 2021, whereby China United Cement will, by injecting its equity interests in some of its subsidiaries, contribute RMB6,000 million (representing 60% of the registered capital of the Joint Venture established by China United Cement and Henan Investment Group) to the registered capital of the Joint Venture; Henan Investment Group will, by injecting the re-valuated assets, contribute RMB4,000 million (representing 40% of the registered capital of the Joint Venture) to the registered capital of the Joint Venture. The proportion of the value of those assets to be injected to the registered capital by the parties, which exceeds the respective registered capital contribution subscribed by each party, will be recognized as the Joint Venture's capital reserve. In order to make the parties' contribution to the Joint Venture's capital reserve in proportionate to the parties' contribution to the Joint Venture's registered capital, China United Cement will pay a corresponding amount in cash to make up its contribution to the Joint Venture's capital reserve.
3. The Company entered into a subscription agreement dated 8 December 2021 with (CNBM) Bengbu Design & Research Institute for Glass Industry Co., Ltd.\* ("**Bengbu Institute**", now renamed as CNBM Research Institute for Advanced Glass Materials Group Co., Ltd.), Triumph Science & Technology Group Company\* and Bangbu Huajin technology Development Co., Ltd.\* ("**Bengbu Huajin**") in connection with the proposed subscription of equity interests in Bengbu Institute by the Company and Bengbu Huajin, such subscription to be settled by way of transfer from the Company and Bengbu Huajin of their respective equity interests in Triumph Science & Technology Group Company\* to Bengbu Institute. The consideration for the Company's subscription for 45.08% equity interests in Bengbu Institute is the transfer by the Company of its 91% equity interests in China Triumph to Bengbu Institute.
4. From 11 to 13 January 2022, Tianshan Cement entered into a subscription agreement with each of the subscribers of the common shares in Tianshan Cement (the "**Subscription Shares**"), in connection with Tianshan Cement's proposed issue and allotment of the Subscription Shares to such subscriber in consideration for cash, pursuant to which Tianshan Cement agreed to issue and allot, and the subscribers agreed to subscribe for, an aggregate of 314,616,887 Subscription Shares, representing approximately 3.63% of all the issued share capital of Tianshan Cement as enlarged by the issue and allotment of the Subscription Shares. The total consideration for the Subscription Shares is approximately RMB4,247,327,974.50.

5. CNBM Chizhou won the bid for the Mining Rights from the Chizhou Natural Resources and Planning Bureau through public listing-for-sale for an assignment price of RMB2,484.0000 million on 27 April 2022, signed the listed deal confirmation letter on the same date and entered into the agreement in relation to the contemplated assignment of the mining rights by the Chizhou Natural Resources and Planning Bureau to CNBM Chizhou. In addition, CNBM Chizhou is obliged to undertake to perform certain special provisions and bear the relevant fees. Accordingly, the total expenses in respect of the successful bidding of the mining rights and subsequent construction of production lines will be approximately RMB9.151 billion, which was subsequently changed to RMB10.613 billion.
6. On 26 August 2022, Sinoma International entered into an asset purchase agreement with Building Materials Academy, in relation to a proposed acquisition of the 100% equity interests in Hefei Cement Research & Design Institute Corporation Ltd.\* by Sinoma International from Building Materials Academy, in consideration for cash totaling RMB3,647.20 million and 366,878,106 new shares to be issued by Sinoma International.

## 5. MATERIAL LITIGATION

As at the Latest Practicable Date, save as disclosed below, none of the members of the Group was engaged in any litigation of material importance and there was no litigation or claim of material importance known to the Directors to be pending or threatened by or against any member of the Group:

References are made to the overseas regulatory announcement of the Company dated 30 May 2010 in respect of an announcement released by BNBM, the information on subsequent development of the gypsum board litigation in the US set out in the announcements dated 18 July 2014, 20 August 2014, 13 February 2015, and 13 March 2015, the 2014 annual report, the 2015 interim report, the 2015 third-quarterly report and the 2015 annual report, the 2016 interim report, the 2016 annual report, the announcement dated 22 June 2017, the 2017 interim report, the announcement dated 22 March 2018, the 2017 annual report, the announcement dated 22 August 2018, the 2018 interim report, the announcement dated 19 March 2019, the 2018 annual report, the announcement dated 30 July 2019, the 2019 interim report, the 2019 annual report, the 2020 interim report, the 2020 annual report, the 2021 interim report, and the 2021 annual report of the Company.

In August 2019, Taishan Gypsum and Taian Taishan Plasterboard Co., Ltd.\* (泰安市泰山紙面石膏板有限公司) (a wholly-owned subsidiary of Taishan Gypsum, together with Taishan Gypsum, “**Taishan**”), entered into a class settlement agreement (the “**Settlement Agreement**”) with the counsels acting for the plaintiff Settlement Class (the “**Settlement**”), and the procedure of the Settlement proceeded normally in accordance with the Settlement Agreement. The payment obligations of Taishan under the Settlement Agreement have been fulfilled.

In May 2020, the district court in the U.S. issued a formal order ruling that the claims against Taishan and Additional Released Parties and that the Released Claims are released and barred from reviving, and that the claims brought by plaintiffs who opted out from the Settlement are not released and are reserved in the litigation. This order is the final procedure of the Settlement process, and the cases of the plaintiffs who did not opt out of the case against Taishan and Additional Released Parties have closed.

In the Settlement, a total of 90 plaintiffs opted out from the Settlement. As of the date of this report, the lawsuits of 21 plaintiffs have closed, and the lawsuits of the remaining 69 plaintiffs are still ongoing.

Other than the multi-district combined litigation to which the Settlement relates, there were also lawsuits initiated by constructors and suppliers, among which the case of The Mitchell Co., Inc. against Knauf Gips KG has been settled and the settlement amount has been paid, while the other cases will continue. The Company will continue to monitor the progress of the gypsum board litigation in the US and will make further disclosure if and when necessary or appropriate.

## **6. SERVICE CONTRACTS**

None of the Directors or Supervisors has entered into a service contract with any member of the Group (excluding contracts expiring or determinable within one year without payment of compensation (other than statutory compensation)).

## **7. OTHER INTERESTS OF THE DIRECTORS AND SUPERVISORS**

As at the Latest Practicable Date:

- (a) none of the Directors or Supervisors had any direct or indirect interest in any assets which have been, since 31 December 2021, the date of the latest published audited accounts of the Company, 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;
- (b) none of the Directors or Supervisors was materially interested in any contract or arrangement entered into by any member of the Group which is subsisting as at the date of this circular and which is significant in relation to the business of the Group; and
- (c) none of the Directors and their close associates had any competing interest, in a business which competes or is likely to compete either directly or indirectly, with the business of the Group.

**8. EXPERT**

The name and qualification of the expert who has given their opinion, letter or advice contained in this circular are as follows:

<b>Name</b>	<b>Qualification</b>
Donvex Capital Limited	A corporation licensed for carrying out Type 6 (advising on corporate finance) regulated activity under the SFO

As at the Latest Practicable Date, Donvex did not have:

- (a) any direct or indirect interest in any assets which have been 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 since 31 December 2021, being the date to which the latest published audited consolidated financial statements of the Group were made up; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Donvex has given and has not withdrawn its written consent to the issue of this circular with its letter and reference to its name included in the form and context in which it is included.

**9. OTHER INFORMATION**

- (a) The Company has joint company secretaries, namely Ms. Pei Hongyan and Ms. Lee Mei Yi.

Ms. Pei Hongyan is the authorised representative of the Company and the secretary of the Board. Ms. Pei has extensive experience in accounting and corporate governance.

Ms. Lee is an executive director of Corporate Services Department of Tricor Services Limited, an Asia's leading business expansion specialist specializing in integrated business, corporate and investor services. Ms. Lee has over 25 years of experience in the corporate secretarial field, holds an Honours Bachelor's Degree in Accountancy and is a Chartered Secretary, a Chartered Governance Professional and a Fellow of both The Hong Kong Chartered Governance Institute ("HKCGI") and The Chartered Governance Institute ("CGI") in the United Kingdom. Ms. Lee is also a holder of the Practitioner's Endorsement from HKCGI.

- (b) The address of the registered office and principal place of business of the Company is located at Tower 2 (Building B), Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the PRC. The address of the Company's place of business in Hong Kong is at 5/F, Manulife Place, 348 Kwun Tong Road, Kowloon, Hong Kong.
- (c) In case of inconsistency, the English version of this circular shall prevail over the Chinese version.

#### 10. DOCUMENTS ON DISPLAY

The following documents are available at (i) the website of the Stock Exchange ([www.hkexnews.hk](http://www.hkexnews.hk)) and (ii) the website of the Company ([www.cnbmld.com](http://www.cnbmld.com)) for a period of 14 days from the date of this circular (both days inclusive):

- (a) The Master Agreement on Mutual Provision of Products and Services;
- (b) The Master Agreement on Mutual Provision of Engineering Services;
- (c) the Financial Services Framework Agreement;
- (d) the Loan Framework Agreement;
- (e) the published annual reports of the Company including the audited accounts for the financial years ended 31 December 2020 and 2021;
- (f) the letter from the Board, the full text of which is set out in this circular from pages 1 to 40;
- (g) the letter from the Independent Board Committee, the full text of which is set out in this circular from pages 41 to 42;
- (h) the letter from the Independent Financial Adviser, the full text of which is set out in this circular from pages 43 to 82;
- (i) the letter of consent from Donvex; and
- (j) this circular.



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## NOTICE OF THE EGM

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CNBM

### **China National Building Material Company Limited\***

中國建材股份有限公司

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

(Stock Code: 3323)

### **NOTICE OF THE EXTRAORDINARY GENERAL MEETING**

**NOTICE IS HEREBY GIVEN** that the extraordinary general meeting (“**EGM**”) of China National Building Material Company Limited (the “**Company**”) will be held at 2:00 p.m. on Monday, 19 December 2022 at Tower 2, Guohai Plaza, No. 17 Fuxing Road, Haidian District, Beijing, the People’s Republic of China (the “**PRC**”) for the purposes of considering and, if thought fit, passing the following resolutions. Unless otherwise indicated, capitalised terms used herein shall have the same meaning as those defined in the circular of the Company dated 25 November 2022 (the “**Circular**”).

#### **AS ORDINARY RESOLUTIONS**

1. To consider and approve the appointment of Mr. Liu Yan as an executive director of the Company to hold office with effect from the date on which this resolution is approved and the term of office will be the same as the current session of the Board, and to consider and approve the remuneration of Mr. Liu Yan, as set out in the Circular.
2. To consider and approve the transactions contemplated under the master agreement on mutual provision of products and services dated 28 October 2022 (the “**Master Agreement on Mutual Provision of Products and Services**”) entered into between the Company and China National Building Material Group Co., Ltd.\* (the “**Parent**”) and the annual caps of such transactions and all other matters of and incidental thereto or in connection therewith:

#### **“THAT**

- (A) the transactions under the Master Agreement on Mutual Provision of Products and Services and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;

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- (B) the annual caps of the transactions contemplated under the Master Agreement on Mutual Provision of Products and Services as more particularly set out in the Circular (a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and
- (C) any one executive director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the transactions under the Master Agreement on Mutual Provision of Products and Services and to make and agree such variations of a non-material nature in or to the terms of the transactions under the Master Agreement on Mutual Provision of Products and Services as he/she may in his discretion consider to be desirable and in the interests of the Company.”
3. To consider and approve the transactions of procurement of engineering services from the Parent and its subsidiaries (excluding the Company and its subsidiaries, but including the connected subsidiaries of the Company) (the “**Parent Group**”) under the master agreement on mutual provision of engineering services dated 28 October 2022 (the “**Master Agreement on Mutual Provision of Engineering Services**”) entered into between the Company and the Parent and the annual caps of such transactions and all other matters of and incidental thereto or in connection therewith:

**“THAT**

- (A) the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;
- (B) the annual caps of the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services as more particularly set out in the Circular (a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and

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- (C) any one executive director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services and to make and agree such variations of a non-material nature in or to the terms of the transactions of procurement of engineering services from the Parent Group under the Master Agreement on Mutual Provision of Engineering Services as he/she may in his discretion consider to be desirable and in the interests of the Company.”
4. To consider and approve the deposit services transactions under the financial services framework agreement dated 28 October 2022 (the “**Financial Services Framework Agreement**”) entered into between the Company and China National Building Material Group Finance Co., Ltd. (the “**Finance Company**”) and the caps of such transactions and all other matters of and incidental thereto or in connection therewith:
- “**THAT**
- (A) the deposit services transactions under the Financial Services Framework Agreement and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;
- (B) the Deposit Caps as more particularly set out in the Circular (a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and
- (C) any one executive director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the deposit services transactions under the Financial Services Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the deposit services transactions under the Financial Services Framework Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”
5. To consider and approve the loan transactions under the loan framework agreement dated 28 October 2022 (the “**Loan Framework Agreement**”) entered into between Xinjiang Tianshan Cement Co., Ltd.\* and CNBM Chizhou New Materials Co., Ltd.\* and the caps of such transactions and all other matters of and incidental thereto or in connection therewith:

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**“THAT**

- (A) the loan transactions under the Loan Framework Agreement and all other matters of and incidental thereto or in connection therewith be and are hereby approved and confirmed;
- (B) the Loan Caps as more particularly set out in the Circular (a copy of which has been produced to the meeting marked “A” and has been initialled by the chairman of the meeting for the purpose of identification), be and are hereby approved and confirmed; and
- (C) any one executive director of the Company be and is hereby authorised for and on behalf of the Company, amongst other matters, to sign, seal, stamp, execute, perfect, deliver, do or to authorise signing, executing, perfecting and delivering and doing all such documents, deeds, acts, matters and things as he/she may in his/her discretion consider necessary, expedient or desirable to give effect to and implement the terms of the loan transactions under the Loan Framework Agreement and to make and agree such variations of a non-material nature in or to the terms of the loan transactions under the Loan Framework Agreement as he/she may in his discretion consider to be desirable and in the interests of the Company.”

### AS SPECIAL RESOLUTION

- 6. To consider and approve the amendments to the Articles of Association as set out in the Circular.

By order of the Board

**China National Building Material Company Limited\***

**Zhou Yuxian**

*Chairman of the Board*

Beijing, the PRC  
25 November 2022

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*Notes:*

- (1) All resolutions at the meeting will be taken by poll except where the chairman, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands pursuant to the Listing Rules. The chairman of the meeting will therefore demand a poll for every resolution put to vote at the EGM in accordance with the Articles of Association. An announcement on the poll vote results will be made by the Company after the EGM in the manner prescribed under Listing Rule 13.39(5). The results of the poll will be published on the websites of Hong Kong Exchanges and Clearing Limited and the Company in accordance with the Listing Rules.
- (2) For determining the entitlement to attend and vote at the above meeting, the register of members of the Company will be closed from Wednesday, 14 December 2022 to Monday, 19 December 2022, both dates inclusive, during which period no transfer of Shares will be registered. In order to be eligible to attend and vote at the EGM, holders of the H Shares whose transfers have not been registered shall deposit all transfer documents accompanied by the relevant share certificates at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited for registration not later than 4:30 p.m. on Tuesday, 13 December 2022.
- (3) A Shareholder entitled to attend and vote at the EGM may appoint one or more proxies to attend and vote on his behalf. A proxy need not be a Shareholder of the Company. Where a Shareholder appoints more than one proxy, his proxies can only vote on a poll.
- (4) The instrument appointing a proxy must be in writing under the hand of a Shareholder or his attorney duly authorised. If the Shareholder is a corporation, that instrument must be either under its common seal or under the hand of its director(s) or duly authorised attorney(s). If that instrument is signed by an attorney of Shareholder of the Company, the power of attorney authorising that attorney to sign or other authorisation document must be notarised.
- (5) In order to be valid, the form of proxy together with the power of attorney or other authorisation document (if any) must be deposited at the Secretariat of the Board at the Company's principal place of business in the PRC for holders of the Domestic Shares and at the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, for holders of the H Shares not less than 24 hours before the time appointed for the EGM (i.e. not later than at 2:00 p.m. on Sunday, 18 December 2022) or any adjournment thereof (as the case may be).
- (6) A vote given in accordance with the terms of an instrument of proxy shall be valid notwithstanding the death or loss of capacity of the appointer, or the revocation of the proxy or of the authority under which the proxy was executed, or the transfer of shares in respect of which the proxy is given, provided that no notice in writing of these matters shall have been received by the Company prior to the commencement of the EGM.
- (7) The address and contact details of the Company's H Share Registrar in Hong Kong, Tricor Investor Services Limited, are as follows:

17/F, Far East Finance Centre  
16 Harcourt Road  
Hong Kong  
Telephone No.: (+852) 2980 1333  
Facsimile No.: (+852) 2810 8185

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- (8) The address and contact details of the Company's principal place of business in the PRC are as follows:

Tower 2, Guohai Plaza  
No. 17 Fuxing Road  
Haidian District  
Beijing, the PRC  
Telephone No.: (+86) 10 6813 8300  
Facsimile No.: (+86) 10 6813 8388

- (9) In accordance with the Company's Articles of Association, where two or more persons are registered as the joint holders of any share, only the person whose name appears first in the register of members shall be entitled to receive this notice, to attend and exercise all the voting powers attached to such share at the EGM, and this notice shall be deemed to be given to all joint holders of such share.
- (10) The EGM is expected to be concluded within half a day. Shareholders (in person or by proxy) attended the EGM are responsible for their own transportation and accommodation expenses. Shareholders of the Company or their proxies attended the EGM shall produce identity documents.
- (11) References to time and dates in this notice are to Hong Kong time and dates.

\* *For identification only*