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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) VOLUNTARY ANNOUNCEMENT
IN RELATION TO THE CEMENT ASSETS RESTRUCTURING
AND**

**(2) CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION
IN RELATION TO THE MERGER BY ABSORPTION**

CEMENT ASSETS RESTRUCTURING

On 28 April 2022, Ningxia Building Materials entered into the Indicative Asset Restructuring Agreement with Tianshan Cement, in connection with Tianshan Cement's proposed acquisition of the Target Cement Assets from Ningxia Building Materials, in consideration for Tianshan Cement's capital contribution to Ningxia Saima in form of cash.

On 27 June 2023, Ningxia Building Materials entered into the Supplemental Asset Restructuring Agreement with Tianshan Cement to agree on, among others, the consideration of the Cement Assets Restructuring.

MERGER BY ABSORPTION

On 28 April 2022, Ningxia Building Materials entered into the Indicative Merger Agreement with CNBM Technology, in relation to a proposed merger by absorption by Ningxia Building Materials of CNBM Technology through share exchange with issuance of A-shares by Ningxia Building Materials to all the shareholders of CNBM Technology.

On 28 December 2022, Ningxia Building Materials entered into the First Supplemental Agreement with CNBM Technology, in relation to the amendment of certain terms of the Merger by Absorption.

On 27 June 2023, Ningxia Building Materials entered into the Second Supplemental Agreement with CNBM Technology to agree on certain terms of the Merger by Absorption.

IMPLICATIONS UNDER THE LISTING RULES

Cement Assets Restructuring

Given that both Ningxia Building Materials and Tianshan Cement are listed subsidiaries of the Company, the Cement Assets Restructuring is in substance a group reorganisation which would result in a net acquisition of approximately 11.70% interests (or a maximum percentage of approximately 35.95% after taking into account of the Put Option) in Ningxia Saima by the Company.

As the highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Cement Assets Restructuring will be less than 5%, the Cement Assets Restructuring does not constitute a discloseable transaction of the Company under the Listing Rules and is announced on a voluntary basis.

Merger by Absorption

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. CNBM Technology is a subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the Merger by Absorption of CNBM Technology by Ningxia Building Materials constitutes a connected transaction of the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Merger by Absorption are more than 5% but less than 25%, the Merger by Absorption constitutes (i) a discloseable transaction (both on a standalone basis and when aggregated with the grant of the Put Option as mentioned below as well as the net acquisition of Ningxia Saima) of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement requirement, and (ii) a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Deemed Disposal

As the issuance of Consideration Shares by Ningxia Building Materials to all the shareholders of CNBM Technology in the Merger by Absorption will result in a reduction of the Company's percentage of equity interests in Ningxia Building Materials, it therefore constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules.

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. Certain shareholders of CNBM Technology (including CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司) and CBMJI) are subsidiaries of the Parent and thus constitute connected persons of the Company. Accordingly, the issuance of Consideration Shares by Ningxia Building Materials to such shareholders of CNBM Technology in the Merger by Absorption constitutes a connected transaction of the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal where the Consideration Shares are issued to all the shareholders of CNBM Technology (assuming that none of the shareholders of CNBM Technology exercises the Cash Option and the maximum number of shares in Ningxia Building Materials are to be issued as consideration) are more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement requirement.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal where the Consideration Shares are issued to the connected persons are more than 0.1% but less than 5%, the Deemed Disposal where the Consideration Shares are issued to connected persons constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Grant of Put Option

As the Company's provision of the Put Option as a Put Option Provider to the Eligible Shareholders for the Put Option to acquire shares in Ningxia Building Materials held by the Eligible Shareholders for the Put Option will constitute a grant of option under Rule 14.73 of the Listing Rules, the grant of such option will be classified as if the option has been exercised according to Rule 14.74 of the Listing Rules.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the grant of Put Option (assuming that all the Put Options has been exercised and the Company is the provider of all the Put Option) are more than 5% but less than 25% (both on a standalone basis and when aggregated with the Merger by Absorption as mentioned above as well as the net acquisition of Ningxia Saima), the grant of Put Option constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened for the Company's shareholders to consider, and if thought fit, approve, among other things, the Merger by Absorption.

A circular containing, among other things, details of the Merger by Absorption, financial information of the Group and the notice convening the EGM, is expected to be despatched to the Company's shareholders on or around 29 July 2023, given that additional time is required for the Company to prepare and finalise the information to be included in the circular.

Each of the Cement Assets Restructuring and the Merger by Absorption is subject to conditions, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

INTRODUCTION

Reference is made to the announcements of the Company dated 14 April 2022, 15 April 2022, 28 April 2022 and 28 December 2022 in relation to the Cement Assets Restructuring and the Merger by Absorption.

Cement Assets Restructuring

On 28 April 2022, Ningxia Building Materials entered into the Indicative Asset Restructuring Agreement with Tianshan Cement, in connection with Tianshan Cement's proposed acquisition of the Target Cement Assets from Ningxia Building Materials, in consideration for Tianshan Cement's capital contribution to Ningxia Saima in form of cash.

On 27 June 2023, Ningxia Building Materials entered into the Supplemental Asset Restructuring Agreement with Tianshan Cement to agree on, among others, the consideration of the Cement Assets Restructuring.

Merger by Absorption

On 28 April 2022, Ningxia Building Materials entered into the Indicative Merger Agreement with CNBM Technology, in relation to a proposed merger by absorption by Ningxia Building Materials of CNBM Technology through share exchange with issuance of A-shares by Ningxia Building Materials to all the shareholders of CNBM Technology.

On 28 December 2022, Ningxia Building Materials entered into the First Supplemental Agreement with CNBM Technology, in relation to the amendment of certain terms of the Merger by Absorption.

On 27 June 2023, Ningxia Building Materials entered into the Second Supplemental Agreement with CNBM Technology to agree on certain terms of the Merger by Absorption.

PRINCIPAL TERMS OF THE CEMENT ASSETS RESTRUCTURING

Date

- (1) The Indicative Asset Restructuring Agreement: 28 April 2022
- (2) The Supplemental Asset Restructuring Agreement: 27 June 2023

Parties

- (1) Seller: Ningxia Building Materials (a subsidiary of the Company)
- (2) Purchaser: Tianshan Cement (a subsidiary of the Company)

Target Cement Assets

Ningxia Building Materials agreed to dispose of, and Tianshan Cement agreed to acquire, the following assets owned by Ningxia Building Materials which would be implemented by way of the following steps:

- (1) as at the date of the Supplemental Asset Restructuring Agreement, Ningxia Building Materials has transferred the following assets to Ningxia Saima:
 - (a) its 51% equity interests in each of following 12 subsidiaries which are principally engaged in cement and related businesses:
 - (i) Qingtongxia Cement;
 - (ii) Guyuanshi Saima New Building Materials Co., Ltd.* (固原市賽馬新型建材有限公司);
 - (iii) Ningxia Zhongning Saima Cement Co., Ltd.* (寧夏中寧賽馬水泥有限公司);
 - (iv) Ningxia Shizuishan Saima Cement Co., Ltd.* (寧夏石嘴山賽馬水泥有限責任公司);
 - (v) Ningxia Saima Kejin Concrete Co., Ltd.* (寧夏賽馬科進混凝土有限公司);
 - (vi) Wuhai Shi Xishui Cement Co., Ltd.* (烏海市西水水泥有限責任公司);
 - (vii) Wuhai Saima Cement Co., Ltd.* (烏海賽馬水泥有限責任公司);
 - (viii) Sinoma Gansu;
 - (ix) Wuzhong Saima New Building Materials Co., Ltd.* (吳忠賽馬新型建材有限公司);

- (x) Sinoma Tianshui;
 - (xi) Kharachi Grassland Cement Co., Ltd.* (喀喇沁草原水泥有限責任公司);
 - (xii) Ningxia Tongxin Saima New Materials Co., Ltd.* (寧夏同心賽馬新材料有限公司);
and
- (b) certain of its assets including trademarks etc. in connection with cement and related businesses; and
- (2) Tianshan Cement will acquire the Target Cement Assets (being 51% equity interests in Ningxia Saima subsequent to the completion of the Internal Cement Assets Consolidation) from Ningxia Building Materials.

Consideration

The consideration for the Target Cement Assets shall be RMB2,717.6154 million and shall be fully paid by Tianshan Cement on the Merger Registration Date by way of capital contribution to Ningxia Saima (comprising RMB520.4082 million as registered capital and RMB2,197.2073 million as capital reserve) in form of cash.

The consideration for the Target Cement Assets was determined based on (1) the valuation report with respect to Ningxia Saima issued by the Valuer (being an asset valuer engaged by Ningxia Building Materials and Tianshan Cement jointly) and filed with the competent authority of state-owned assets supervision and administration; and (2) the shareholders resolution for the dividend of RMB363.2322 million declared by Ningxia Saima to Ningxia Building Materials after the Valuation Reference Date.

Arrangements during the transitional period

The realised profits or losses (as determined by a specific audit report issued by an auditor) of Ningxia Saima during the transitional period, which is from the Valuation Reference Date to the Asset Restructuring Completion Date, will be attributed to or borne by Ningxia Building Materials and Tianshan Cement by reference to their respective shareholdings in Ningxia Saima upon completion of the Cement Assets Restructuring.

Ningxia Building Materials will procure (1) Ningxia Saima and Jiahua Gujing to obtain funds before the Merger Registration Date for repaying the relevant amount taken up by Ningxia Saima (and its subsidiaries) and Jiahua Gujing (and its subsidiaries) from the non-operating capital of Ningxia Building Materials (and its subsidiaries), and (2) Ningxia Saima (and its subsidiaries) and Jiahua Gujing (and its subsidiaries) to settle the non-operating liabilities owed to Ningxia Building Materials (and its subsidiaries) on or before the Merger Registration Date.

Contingent liabilities

Any liabilities of Ningxia Saima which (1) arise during the abovementioned transitional period or subsequent to the Asset Restructuring Completion Date, (2) are resulted from matters existed prior to the Valuation Reference Date and (3) are not specified in the relevant audit reports (except for such liabilities which have already been fully accounted for in the provisions in the financial statements of Ningxia Saima) shall be borne by Ningxia Building Materials. The details are set out below:

- (1) The amount of the abovementioned contingent liabilities that arise before the Capital Contribution Date shall be confirmed by Ningxia Building Materials and Tianshan Cement on the Capital Contribution Date. Tianshan Cement shall be entitled to deduct the corresponding amount (being the amount of such contingent liabilities \div 49% \times 51%) from the amount of the capital contribution to be made by Tianshan Cement to Ningxia Saima and the deduction shall not affect Tianshan Cement's subscription amount of the new registered capital of and its equity interest percentage in Ningxia Saima.
- (2) The amount of the abovementioned contingent liabilities that arise after the Capital Contribution Date shall be borne by Ningxia Building Materials. Ningxia Building Materials shall make compensation to Ningxia Saima within 5 business days after the contingent liabilities have arisen. The compensation amount shall be the amount of the actual losses suffered by Ningxia Saima as a result of such contingent liabilities.

Effectiveness of the Indicative Asset Restructuring Agreement and the Supplemental Asset Restructuring Agreement

The Indicative Asset Restructuring Agreement will take effect upon fulfilment of all of the following conditions:

- (1) signing and stamping by the parties to the Indicative Asset Restructuring Agreement;
- (2) approval of the Internal Cement Assets Consolidation at the respective shareholders' meetings of Qingtongxia Cement, Sinoma Gansu and Sinoma Tianshui, and waiver of the right of first refusal by such other shareholders of each such company;
- (3) filing of the asset valuation reports in respect of the Proposed Transactions with the competent authority of state-owned assets supervision and administration;
- (4) approval of the Proposed Transactions by the competent authority of state-owned assets supervision and administration;
- (5) approval of the Proposed Transactions by Ningxia Building Materials' competent decision-making bodies;

- (6) approval of the Merger by Absorption by CNBM Technology's competent decision-making bodies;
- (7) approval of the Cement Assets Restructuring by Tianshan Cement's competent decision-making bodies;
- (8) approval of the Proposed Transactions by the Company's competent decision-making bodies;
- (9) the signing and the taking effect of the Indicative Merger Agreement in respect of the Merger by Absorption;
- (10) approval or "no-further-review" decision in connection with the undertaking concentration assessment conducted by the Anti-Monopoly Bureau of the State Administration for Market Regulation with respect to the Proposed Transactions (if needed);
- (11) approval of the Proposed Transaction by the Shanghai Stock Exchange and registration of the Proposed Transactions with CSRC; and
- (12) other necessary prior sanction, approval or consent as required by applicable law, regulations and regulatory authorities in respect of the Proposed Transactions.

The Supplemental Asset Restructuring Agreement will take effect upon (1) signing and stamping by the parties thereto and (2) the Indicative Asset Restructuring Agreement becoming effective.

Others

Prior to the Asset Restructuring Completion Date, Ningxia Building Materials and Jiahua Cement will complete (1) the change of composition of the board of directors and board of supervisors, (2) the appointment of senior management and (3) the amendment of articles of association of Jiahua Gujing in accordance with the relevant procedures, so that the control in Jiahua Gujing will be transferred from Ningxia Building Materials to Jiahua Cement.

Completion

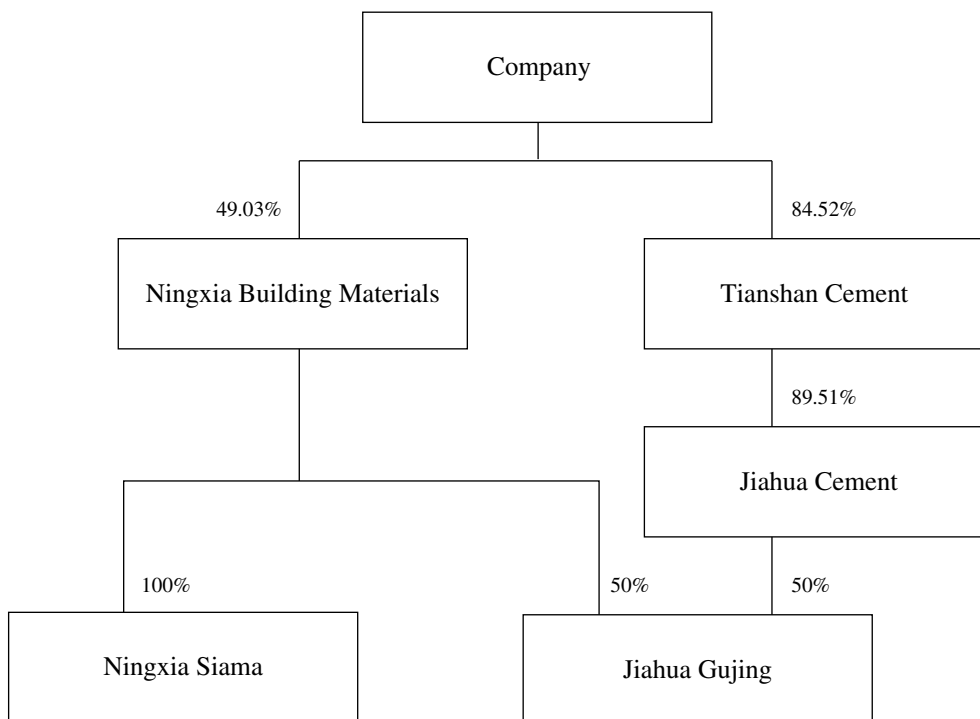
On the Capital Contribution Date, Ningxia Saima will pay the relevant consideration in respect of the Internal Cement Assets Consolidation to Ningxia Building Materials.

With effect from the Capital Contribution Date, Tianshan Cement will become a shareholder of Ningxia Saima, and Ningxia Saima will cease to be a subsidiary of Ningxia Building Materials.

Subsequent to the Capital Contribution Date and prior to the Asset Restructuring Completion Date, Ningxia Building Materials and Tianshan Cement will complete (1) the amendment of articles of association and internal documents, (2) the change of composition of the board of directors and board of supervisors, (3) the appointment of senior management, (4) the handover of management rights and (5) the registration of the changes in connection with the capital contribution in Ningxia Saima.

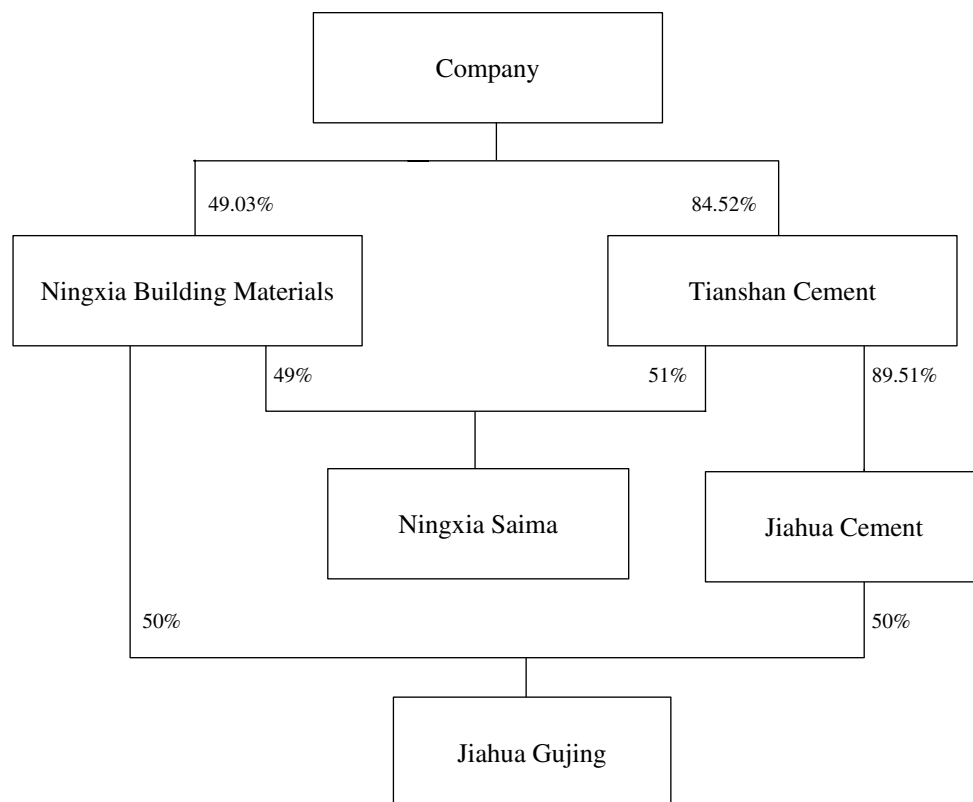
Shareholding structure before and after the Cement Assets Restructuring

(1) Before completion of the Cement Assets Restructuring



Note: Before the Cement Assets Restructuring, Ningxia Building Materials controlled the majority of voting rights in the board of Jiahua Gujing.

(2) After completion of the Cement Assets Restructuring



Note: After the Cement Assets Restructuring, Jiahua Cement will control the majority of voting rights in the board of Jiahua Gujing.

PRINCIPAL TERMS OF THE MERGER BY ABSORPTION

Date

- (1) Indicative Merger Agreement: 28 April 2022
- (2) First Supplemental Agreement: 28 December 2022
- (3) Second Supplemental Agreement: 27 June 2023

Parties

- (1) Ningxia Building Materials, as the merging entity; and
- (2) CNBM Technology, as the merged entity.

Merger by Absorption

After the completion of the Merger by Absorption, Ningxia Building Materials will become the subsisting entity and will inherit and undertake all the assets, liabilities, business, contracts, licenses, personnel and all other rights and obligations of CNBM Technology. The legal capacity of CNBM Technology will eventually be deregistered.

Consideration

The aggregate amount of consideration for the Merger by Absorption (the “**Consideration Value**”) is RMB2,294.3080 million, which is determined with reference to the appraised value of CNBM Technology (being approximately RMB 2,333.1416 million) in a valuation report issued by the Valuer which has been filed with the competent authority of state-owned assets supervision and administration and the amount of cash dividends for profit distribution of RMB38.83 million, with the ex dividend date being 25 May 2023.

The consideration for the Merger by Absorption is to be satisfied by A-shares to be issued by Ningxia Building Materials (the “**Consideration Shares**”) at the Issue Amount (as defined below) in exchange at the Exchange Ratio (as defined below) for shares in CNBM Technology held by all its shareholders to be cancelled. The details are as follows:

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|---|---|
| (1) Nature and par value of the Consideration Shares: | Common shares in Ningxia Building Materials denominated in RMB and listed on the Shanghai Stock Exchange, with a par value of RMB1.00 each. |
| (2) Issue price of the Consideration Shares (the “ Issue Price ”): | RMB13.21 per share, as determined in accordance with RMB13.60 being the issue price as stated in the First Supplemental Agreement (which has been determined in accordance with the principle that the Issue Price will not be lower than the average trading price of A shares in Ningxia Building Materials in the 20 trading days prior to 28 December 2022 (the “ Pricing Reference Date ”) and the audited net assets per share attributable to the parent company as holders of common shares in Ningxia Building Materials at the end of 2021, and considering the cash dividend of RMB5.4 (tax included) distributed to all shareholders of Ningxia Building Materials for every 10 shares as approved by the 2021 annual general meeting of Ningxia Building Materials, with the ex-dividend date being 30 May 2022, and as adjusted taking into consideration the cash dividend of RMB3.9 (tax included) distributed to all shareholders of Ningxia Building Materials for every 10 shares to all shareholders of Ningxia Building Materials as approved by its 2022 annual general meeting held on 13 April 2023. |

- (3) Adjustment mechanism of the Issue Price: If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, and transfer to share capital from capital reserve by Ningxia Building Materials during the period commencing on the Pricing Reference Date and ending on the date of registration of equity interests at the implementation of Merger by Absorption, the Issue Price will be adjusted accordingly.
- (4) Exchange ratio (the “**Exchange Ratio**”): 1:1.1628 (i.e. 1 share in CNBM Technology in exchange for 1.1628 shares in Ningxia Building Materials).
- The Exchange Ratio is calculated according to the following formula: Exchange Ratio = Consideration Value ÷ total number of issued shares in CNBM Technology ÷ Issue Price (the calculation result is to be rounded to 4 decimal places).
- (5) Number of Consideration Shares to be issued (the “**Issue Amount**”): 173,675,807, as determined in accordance with the following formula: Issue Amount = Consideration Value ÷ Issue Price, which is subject to the approval by the shareholders of Ningxia Building Materials in a general meeting, review by the Shanghai Stock Exchange and approval of registration by the CSRC.
- (6) Treatment of shares with restrictive rights: The shares in CNBM Technology with restrictive rights will all be exchanged to Consideration Shares at the time of share exchange, and the existing restrictive rights attached to the shares in CNBM Technology will continue to be effective and attached to the corresponding Consideration Shares as exchanged.

Cash Option

In order to protect the interests of the shareholders of CNBM Technology, CNBM Technology and Ningxia Building Materials have agreed to grant a cash option (the “**Cash Option**”) to Eligible Shareholders for the Cash Option (as defined below), who are entitled to request the Cash Option Provider(s) (as defined below) to acquire shares in CNBM Technology held by the Eligible Shareholders for the Cash Option for cash consideration. The details are as follows:

- (1) Eligible shareholders for the Cash Option (the “**Eligible Shareholders for the Cash Option**”): All shareholders of CNBM Technology other than CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), CBMJI, CNBM Investment Company Limited* (中建材投資有限公司) and Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)).

- (2) Provider(s) of the Cash Option (the “**Cash Option Provider(s)**”): The Company and/or CBMJI, which will negotiate and arrange the arrangements of providing the Cash Option, provided that CBMJI shall not by virtue of providing the Cash Option obtain control in Ningxia Building Materials or result in a change of the Company’s status as the controlling shareholder of Ningxia Building Materials.
- (3) Exercise price of the Cash Option: RMB15.36 per share, which is the amount of consideration per share in CNBM Technology for the Merger by Absorption.
- (4) Exercise of the Cash Option: Eligible Shareholders for the Cash Option is entitled to receive cash consideration from and transfer the corresponding shares to the Cash Option Provider(s) for each share in CNBM Technology that has been effectively declared within a specified period. The shares in CNBM Technology acquired by the Cash Option Provider(s) through the Cash Option will be fully converted at the Exchange Ratio into A-shares issued by Ningxia Building Materials during the Merger by Absorption.

If the Merger by Absorption fails to obtain any of the required shareholders or regulatory approvals or filings, and the Merger by Absorption cannot be implemented in the end, the shareholders of CNBM Technology will not be allowed to exercise the Cash Option.

- (5) Settlement and completion of the shares in the exercise of the Cash Option: After the expiry of the declaration period for exercising the Cash Option, Ningxia Building Materials and CNBM Technology will negotiate with the Cash Option Providers to determine the distribution ratio and quantity of such shares among the Cash Option Providers (if not a single entity) and process the procedures for share transfer and settlement of cash consideration.
- (6) Adjustment mechanism of the exercise price of the Cash Option: If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, and transfer to share capital from capital reserve by CNBM Technology during the period commencing on the date of announcement of the resolutions of Ningxia Building Materials’ board meeting in respect of the Merger by Absorption and ending on the date on which the Cash Option is exercised, the exercise price of the Cash Option will be adjusted accordingly.

Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)), a shareholder of CNBM Technology, will issue a written undertaking within 20 days after signing of the Second Supplemental Agreement that it will exchange all its shares in

CNBM Technology to shares in Ningxia Building Materials and will not exercise the Cash Option. It will not transfer the shares in Ningxia Building Materials that it acquires from the Merger by Absorption within 36 months of the issuance of those shares.

Put Option

In order to protect the interests of shareholders of Ningxia Building Materials, CNBM Technology and Ningxia Building Materials have agreed to grant a put option (the **“Put Option”**) to Eligible Shareholders for the Put Option (as defined below), who are entitled to request the Put Option Provider(s) (as defined below) to acquire shares in Ningxia Building Materials held by the Eligible Shareholders for the Put Option. Details are as below:

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|--|---|
| (1) Eligible shareholders for the Put Option (the “Eligible Shareholders for the Put Option”): | All shareholders of Ningxia Building Materials other than the Company. |
| (2) Provider(s) of the Put Option (the “Put Option Provider(s)”): | The Company and/or CBMJI, which will negotiate and arrange the arrangements of providing the Put Option, provided that CBMJI shall not by virtue of providing the Put Option obtain control in Ningxia Building Materials or result in a change of the Company’s status as the controlling shareholder of Ningxia Building Materials. |
| (3) Exercise price of the Put Option: | RMB12.20, as determined in accordance with the principle that if there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, and transfer to share capital from capital reserve by Ningxia Building Materials during the period commencing on the Pricing Reference Date and ending on the date of exercise of the Put Option, the exercise price of the Put Option will be adjusted, and as adjusted taking into consideration that Ningxia Building Materials has distributed a cash dividend of RMB3.9 (tax included) for every 10 shares to all shareholders as approved by its 2022 annual general meeting held on 13 April 2023. |
| (4) Exercise of the Put Option: | The Eligible Shareholders for the Put Option is entitled to receive cash consideration from and transfer the corresponding shares to the Put Option Provider(s) for each share in Ningxia Building Materials that has been effectively declared. |

If the Merger by Absorption fails to obtain any of the required shareholder or regulatory approvals, and the Merger by Absorption cannot be implemented in the end, the shareholders of Ningxia Building Materials will not be allowed to exercise the Put Option.

- (5) Settlement and completion of the shares in the exercise of the Put Option: After the expiry of the declaration period for exercising the Put Option, Ningxia Building Materials will negotiate with the Put Option Providers to determine the distribution ratio and quantity of such shares among the Put Option Providers (if not a single entity) and process the procedures for share transfer and settlement of cash consideration.
- (6) Adjustment mechanism of the exercise price of the Put Option: If there is any ex-right or ex-dividend event, such as distribution of dividend, bonus issue, and transfer to share capital from capital reserve, by Ningxia Building Materials during the period commencing on the Pricing Reference Date and ending on the exercise date of the Put Option, the above exercise price of the Put Option will be adjusted accordingly.

The exercise price of the Put Option may be adjusted once, whether upwards or downwards, by Ningxia Building Materials' board during the period from the date of announcement of the resolutions of Ningxia Building Materials' shareholders' meeting in respect of the Merger by Absorption until the approval of the Merger by Absorption by CSRC, with reference to, among others, the price of shares in Ningxia Building Materials and the performance of market indices.

Basis of the consideration

The Consideration Value (i.e. RMB2,294.3080 million) was determined based on the Appraised Value (i.e. RMB2,333.1416 million) as at the Valuation Reference Date with reference to the valuation report issued by the Valuer and the amount of cash dividends for profit distribution of RMB38.83 million as at 25 May 2023 being the ex dividend date. The Appraisal Value is set out in the valuation report for the Merger by Absorption. The details are as follows:

- (I) Valuation methods: The income-based approach has been adopted by the Valuer for the valuation report regarding CNBM Technology because the Valuer considered that it could reflect the value of CNBM Technology more properly compared to the asset-based approach (as the asset-based approach only evaluates individual tangible assets and certain quantifiable intangible assets, but fails to fully reflect the contribution of the combination of each individual tangible asset to CNBM Technology and measure the integration effect generated by the matching and organic combination of the individual assets). The Appraised Value was determined based on the income-based approach, due to its ability to take into account the value of the intangible assets which is difficult to quantify, as well as the profitability of various assets of CNBM Technology. Please refer to the section headed "Profit Forecast" as set out below for more details.

- (II) Assumptions, parameters and methodology: The valuation of CNBM Technology with income-based approach has adopted a customary set of assumptions and parameters for income-based approach. Please refer to the section headed “Profit Forecast” as set out below for more details.

Conditions of Effectiveness of the Merger Agreements

The Merger Agreements will take effect upon the date of fulfilment of all of the following conditions:

- (1) signing and stamping by both parties to the Merger Agreements;
- (2) filing of the asset valuation reports in respect of the Proposed Transactions with the competent authority of state-owned assets supervision and administration;
- (3) approval of the Proposed Transactions by the competent authority of state-owned assets supervision and administration;
- (4) approval of the Proposed Transactions by the competent decision-making bodies of Ningxia Building Materials;
- (5) approval of the Merger by Absorption by CNBM Technology’s competent decision-making bodies;
- (6) approval of the Cement Assets Restructuring by Tianshan Cement’s competent decision-making bodies;
- (7) approval of the Proposed Transactions by the competent decision-making bodies of the Company;
- (8) the signing and the taking effect of the indicative asset restructuring agreement dated 28 April 2022 entered into between Ningxia Building Materials and Tianshan Cement in connection with the Cement Assets Restructuring;
- (9) waiver in respect of the Company’s Parent and its concert parties’ obligation to make an offer to acquire shares as a result of the Proposed Transactions being approved at Ningxia Building Materials’ shareholders’ meeting;
- (10) approval of the termination of CNBM Technology’s listing on The National Equities Exchange and Quotations by CNBM Technology’s shareholders’ meeting, filing to National Equities Exchange and Quotations Co., Ltd. according to regulations, and performance of the relevant procedures;
- (11) approval or “no-further-review” decision in connection with the undertaking concentration assessment conducted by the Anti-Monopoly Bureau of the State Administration for Market Regulation with respect to the Proposed Transactions (if needed);

(12) approval of the Proposed Transactions by CSRC; and

(13) other necessary prior sanction, approval or consent as required by applicable law, regulations and regulatory authorities in respect of the Proposed Transactions.

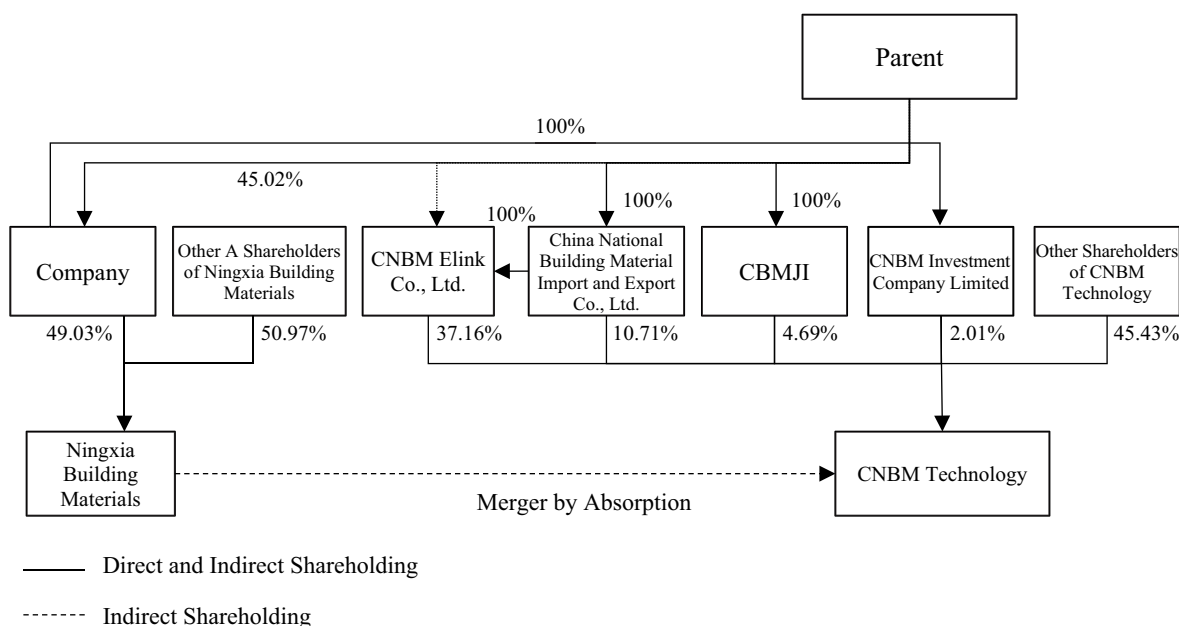
As at the date of this announcement, Conditions (1) and (2) have been satisfied, and the board approval in Conditions (4), (5), (6) and (7) have been obtained.

Completion

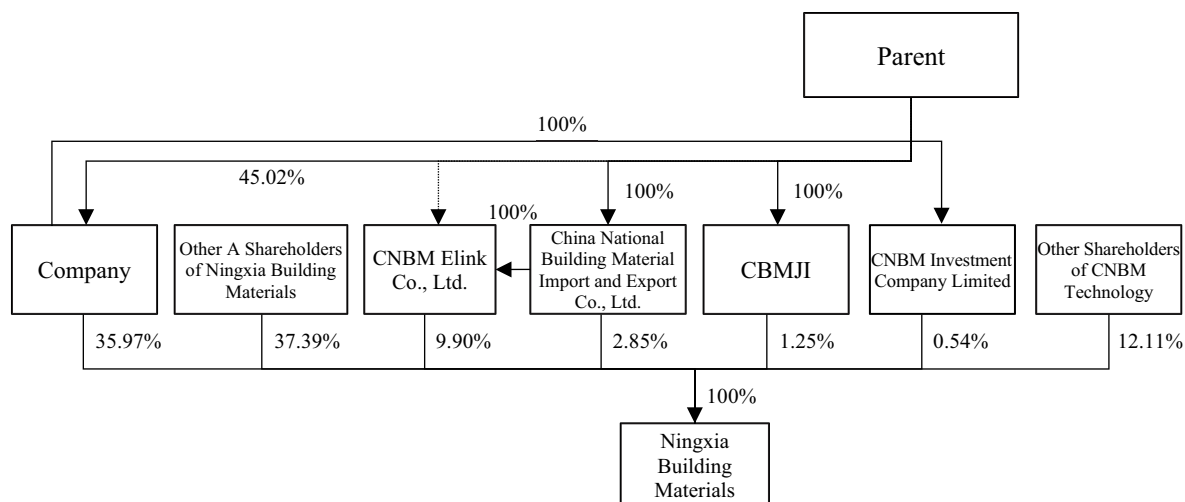
On the Completion Date, the legal capacity of CNBM Technology will be deregistered. Ningxia Building Materials will inherit and undertake all the assets, liabilities, business, contracts, licenses, personnel and all other rights and obligations of CNBM Technology.

Shareholding structure before and after the Merger by Absorption

(1) *Shareholding structure as at the date of this announcement:*



(2) *Shareholding structure immediately after the completion of the Merger by Absorption:*



—— Direct and Indirect Shareholding
 ----- Indirect Shareholding

Note:

The above shareholding structure is based on the assumptions that (1) between the date of this announcement and the Completion Date, the shareholding by the Company of Ningxia Building Materials remains unchanged; and (2) the Put Option and the Cash Option are both not exercised by the Eligible Shareholders for the Put Option and the Eligible Shareholders for the Cash Option.

Upon the completion of the Merger by Absorption, since the number of shares in Ningxia Building Materials held by the Company remained unchanged, the Merger by Absorption will cause a dilution effect to the shareholding in Ningxia Building Materials of the Company. The shareholding percentage of the Company in Ningxia Building Materials will decrease from 49.03% to 35.97%.

Profit or Loss Attribution and Attribution Arrangement of Accumulated Profits During the Transitional Period

During the transitional period from 31 July 2022 to the Completion Date, without written consent from Ningxia Building Materials, CNBM Technology shall not conduct profit distribution, dividend distribution, bonus issue, transfer of share capital from capital reserve and reduction of share capital etc. which would result in changes to its the share capital.

Within 30 days of the Completion Date, Ningxia Building Materials shall hire a qualified accounting firm under the PRC Securities Law to conduct special audit of the profits and losses during the transitional period.

Both parties agree that, in accordance with the special audit report, all profits generated from the operation of CNBM Technology during the transitional period shall be enjoyed by Ningxia Building Materials and the losses generated from the operation shall be compensated by CNBM Elink Co., Ltd* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.*

(中建材集團進出口有限公司), Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)), CBMJI and CNBM Investment Company Limited* (中建材投資有限公司) in accordance with their shareholdings in CNBM Technology as at the date of the Second Supplemental Agreement. The compensation payment shall be made to Ningxia Building Materials within 30 days from the date of its written demand.

Creditor's Rights and Debt Treatment, Employee Placement and Other Arrangements

Subsidiaries of CNBM Technology will inherit all the assets, liabilities, business, contracts, licenses, personnel of CNBM Technology. Such subsidiaries will become subsidiaries of Ningxia Building Materials on Completion Date.

For any undisclosed potential liabilities or contingent liabilities incurred by CNBM Technology before the Completion Date and confirmed by judicial authentication procedures to be borne by CNBM Technology which result in liabilities on the part of Ningxia Building Materials or the entity that inherent all the assets of CNBM Technology, any such liabilities that are in fact assumed by Ningxia Building Materials or the entity that inherent all the assets of CNBM Technology as confirmed by judicial authentication procedures will be compensated by CNBM Elink Co., Ltd* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)), CBMJI and CNBM Investment Company Limited* (中建材投資有限公司) in accordance with their shareholdings in CNBM Technology as at the date of the Second Supplemental Agreement. The compensation payment shall be made in cash to Ningxia Building Materials within 30 days from the date of its written demand. If any part of the undisclosed potential liabilities or contingent liabilities have been compensated under the Compensation Agreement, no further compensation is required under this arrangement.

Compensation Agreement

The Compensation Agreement has been entered into among Ningxia Building Materials and the Compensation Obligors in connection with the Merger by Absorption and in accordance with, among others, the Administrative Measures for the Material Asset Reorganisations of Listed Companies, and will take effect upon the Merger Agreements becoming effective.

Profit undertaking and compensation

The Compensation Obligors have undertaken that the actual net profits (which shall be the net profit attributable to the shareholders of the Parent after deducting extraordinary gains and losses) with respect to the Profit Undertaking Assets shall not be lower than the committed net profits, being RMB231.2573 million in 2023, RMB294.6971 million in 2024 and RMB336.2564 million in 2025 (and RMB365.7173 million in 2026, if applicable).

(1) *Method of calculation*

- (a) Ningxia Building Materials shall engage an auditing firm after the end of each Applicable Period for issuing a specific audit report regarding the actual net profits with respect to the Profit Undertaking Assets.
- (b) The compensation shall be made by the Compensation Obligors by means of Compensation Shares.
- (c) The amount to be compensated by each Compensation Obligor in respect of the profit undertaking in each Applicable Period shall be calculated in accordance with the following formula:

$$\begin{array}{rcccl}
 & & \text{(Cumulated} & & \\
 & & \text{committed net} & & \\
 & & \text{profits as at the} & & \\
 & & \text{end of the} & & \\
 & & \text{Applicable Period} & & \\
 & & - & & \\
 \text{Compensation amount} & = & \text{Cumulated actual} & \times & \text{Total value of the} & \times & \text{The number of shares} & - & \text{Cumulated amount} \\
 & & \text{net profits as at the} & \text{Profit Undertaking} & \text{consideration in} & \text{Compensation} & \text{in CNBM} & \text{compensated by the} \\
 & & \text{end of the} & \text{Assets pursuant to} & \text{respect of the} & \text{Obligor as at the} & \text{Technology owned} & \text{relevant} \\
 & & \text{Applicable Period)} & \text{the Merger by} & \text{respect of the} & \text{date of the} & \text{by the relevant} & \text{Compensation} \\
 & & \underline{\hspace{2cm}} & \text{Absorption} & \text{Profit Undertaking} & \text{Compensation} & \text{Compensation} & \text{Obligor} \\
 & & \text{Total committed} & & \text{Assets pursuant to} & \text{Agreement} & \text{Obligor} & \\
 & & \text{net profits for all} & & \text{the Merger by} & & & \\
 & & \text{Applicable Periods} & & \text{Absorption} & & & \\
 & & \text{during the} & & & & & \\
 & & \text{Compensation} & & & & & \\
 & & \text{Period} & & & & & \\
 & & & & & & \text{Total number of} & \\
 & & & & & & \text{shares in CNBM} & \\
 & & & & & & \text{Technology} &
 \end{array}$$

- (d) The number of Compensation Shares to be compensated by each Compensation Obligor shall be calculated by dividing the relevant compensation amount by the Issue Price.
- (e) If the compensation amount is less than 0, the value shall be taken to be 0 and the Compensation Shares compensated shall not be reversed. If any calculated number of Compensation Shares has decimals, it shall be rounded to the integer by removing the decimals and added with 1 share.
- (f) If there is any ex-right event, such as bonus issue, transfer to share capital from capital reserve and distribution of stock dividend, by Ningxia Building Materials during the Compensation Period, the number of Compensation Shares to be compensated shall be adjusted accordingly.

- (g) If Ningxia Building Materials distributes cash dividend during the Compensation Period, the cash dividend attributable to the Compensation Shares with respect to the relevant Applicable Period shall be returned to Ningxia Building Materials.

(2) *Timing for effectuating the compensation*

In the event that compensation is required to be made pursuant to the above arrangements, Ningxia Building Materials shall, within 30 business days of the issue of the relevant specific audit report, convene a board meeting and give notice for convening a shareholders' meeting to approve the repurchase of the relevant Compensation Shares at a total consideration of RMB1.00 and the cancellation of such Compensation Shares.

If such proposal is approved at Ningxia Building Materials' shareholders' meeting, Ningxia Building Materials shall, within 5 business days of the announcement of the relevant resolutions, give written notice regarding the number of Compensation Shares to be repurchased to the Compensation Obligors whom shall, within 5 business days of the receipt of such notice, collaborate with Ningxia Building Materials in the cancellation of the relevant Compensation Shares.

If such proposal is not approved at Ningxia Building Materials' shareholders' meeting or otherwise cannot be effectuated for any other reasons, Ningxia Building Materials shall, within 5 business days of the announcement of the relevant resolutions, give written notice regarding endowment to the Compensation Obligors whom shall, within 30 business days of the receipt of such notice, endow the relevant Compensation Shares to the shareholders of Ningxia Building Materials (other than the Compensation Obligors themselves with respect to their respective holding of the Consideration Shares) whose names appear on Ningxia Building Materials' register of members on the relevant record date according to the proportion of their respective shareholdings in the remaining share capital of Ningxia Building Materials after deducting the Compensation Obligors' respective holding of Consideration Shares on such record date.

The Compensation Obligors have undertaken to waive the voting rights attached to and the distributions attributable to the relevant Compensation Shares from the date of confirmation of the number of such Compensation Shares until such Compensation Shares are cancelled or endowed to the other shareholders of Ningxia Building Materials (as the case may be).

Impairment compensation

Upon expiry of the Compensation Period, Ningxia Building Materials shall engage an auditing firm to carry out impairment test on the Profit Undertaking Assets and issue a specific audit report. If (1) the proportion of the impairment amount as at the end of the Compensation Period to the total value of the consideration in respect of the Profit Undertaking Assets pursuant to the Merger by Absorption is greater than (2) the proportion of the total number of Compensation Shares compensated during the Compensation Period to the total number of Consideration Shares received by the Compensation

Obligors pursuant to the Merger by Absorption, additional compensation shall be made by each Compensation Obligor by means of additional Compensation Shares, the number of which shall be calculated in accordance with the following formula:

$$\text{Number of additional Compensation Shares} = \frac{\text{Impairment amount as at the end of the Compensation Period} \times \text{The relevant Compensation Obligor's percentage of shareholding in CNBM Technology as at the date of the Compensation Agreement}}{\text{Issue Price}} - \text{Total number of Compensation Shares compensated by the relevant Compensation Obligor during the Compensation Period}$$

Others

The total compensation to be made by each Compensation Obligor shall not exceed the value of the Consideration Shares received by such Compensation Obligor pursuant to the Merger by Absorption.

The Compensation Obligors have also undertaken, among others:

- (1) not to transfer the Consideration Shares received by them pursuant to the Merger by Absorption within 36 months of the completion of the Merger by Absorption;
- (2) not to reduce their holding of the Consideration Shares prior to the completion of performance of their compensation obligations and impairment compensation obligations;
- (3) to use the Shares they receive pursuant to the Merger by Absorption to perform their compensation obligations and impairment compensation obligations as a priority, and not to evade their compensation obligations or encumber their Consideration Shares by pledges, guarantees or other encumbrances prior to the completion of performance of their compensation obligations;
- (4) (where their Consideration Shares have been seized, frozen or otherwise for any reason and cannot be used as Compensation Shares) to make the relevant compensation to Ningxia Building Materials, within 10 business days of the issue of the relevant specific audit report, by cash in an amount equal to the product of the number of Compensation Shares that should have been compensated and the Issue Price; and
- (5) (where any adjustments to the compensation obligations are required prior to the completion of performance thereof pursuant to any new requirements under applicable law and regulations etc. or any requests of the regulatory authorities) to enter into a supplemental agreement or issue a further undertaking as may be necessary to confirm the adjusted compensation obligations.

The Company will comply with Rule 14A.63 of the Listing Rules if the actual performance fails to meet the undertakings under the Compensation Agreement as and when appropriate.

PROFIT FORECAST

Since the profit undertaking in respect of CNBM Technology are based on the valuation report of equity interest in CNBM Technology adopting, among others, the discounted cash flow method which is a type of income approach, the profit undertaking constitutes a profit forecast under Rules 14A.06(32) and 14.61 of the Listing Rules. Therefore, Rules 14A.70(13) (in respect of paragraph 29(2) of Appendix 1, Part B) and 14.62 of the Listing Rules are applicable.

Moore Stephens CPA Limited, the reporting accountant of the Company, has reported on the calculations for the forecast used in the valuation reports, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted cash flow approach has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Board as set out in the valuation reports. Please see the Report from the Reporting Accountant in Appendix I.

The Board has confirmed that the profit forecast has been made after due and careful enquiry by the Board. Please see the Letter from the Board in Appendix II.

Principal assumptions adopted in the valuation reports

(I) Basic assumptions

For the valuation report regarding CNBM Technology, it is assumed that:

(1) Transaction assumption

The transaction assumption assumes that the appraised entity and the assets and liabilities within the scope of appraisal are already in the process of transaction, which valuation conducted by the valuer is based on a comparable market in accordance with the conditions of transaction.

(2) Open-market assumption

The open-market assumption assumes that both parties to the transaction of assets traded or proposed to be traded in the market are of equal status and have opportunities and time to get adequate market information so as to make rational judgments on the function, usage and trading price of the assets.

(3) *Continuous operation assumption*

Going-concern assumption assumes that the appraised entity continues to operate after the Valuation Reference Date.

(4) *Continuous use of assets assumption*

The continuous use of assets assumption assumes that the assets under evaluation will continue to be used legally and effectively according to their current use, use mode, scale, frequency, environment and other conditions, and there will be no significant change in the foreseeable service life.

(II) *Special assumptions*

For the valuation report regarding CNBM Technology, it is assumed that:

- (1) it is assumed that there will be no significant changes in the prevailing applicable laws, regulations and policies and the macro-economic environment of the PRC, and the political, economic and social environment in the region where the parties to the transaction operate;
- (2) it is assumed that there will be no significant changes in the national credit interest rate, exchange rate, tax base and tax rate, policy collection fees, etc. related to the appraised unit after the Valuation Reference Date;
- (3) it is assumed that the industry of the appraised entity maintains a stable development trend and there is no significant change in industrial policies, management systems and relevant regulations;
- (4) it is assumed that there are no other force majeure and unforeseen factors that cause significant adverse effects on the enterprise after the Valuation Reference Date;
- (5) it is assumed the accounting policies adopted by the appraised unit after the Valuation Reference Date are basically consistent with the accounting policies adopted in the preparation of the valuation report in the material aspects;
- (6) it is assumed that, on the basis of existing management methods and management standards of the appraised unit, the scope and mode of operation are consistent with the current direction;
- (7) it is assumed that the operator of the appraised unit is responsible and that the management personnel of the appraised unit has the ability to undertake such office;

- (8) it is assumed that the acquisition, acquisition and construction of the assets involved in the appraised unit comply with relevant national laws and regulations;
- (9) it is assumed that the cash inflow of the appraised unit is an average inflow, and the cash outflow is an average outflow after the Valuation Reference Date;
- (10) it is assumed that the contracts and agreements provided by the appraised unit that are being performed or to be performed are valid and will be completed as scheduled;
- (11) it is assumed that the trademark authorization contracts of the appraised unit can be renewed to use its trademark according to the current mode after such contracts expire;
- (12) it is assumed that the appraised unit can continue to enjoy corresponding tax preferential policies within the specified period in the future, including but not limited to CNBM Information Technology (Hong Kong) Limited* (中建材信息技術(香港)有限公司), CNBM Xinyun Smart Technology Limited* (中建材信雲智聯科技有限公司) and Proaxia Information Technology (Beijing) Limited* (博瑞夏信息技術(北京)有限公司) enjoying the preferential policies of calculating and deducting research and development expenses; Proaxia Information Technology (Beijing) Limited* (博瑞夏信息技術(北京)有限公司) enjoying the preferential policy of calculating and deducting input tax, as well as refund of value-added tax on the sale of software products;
- (13) it is assumed that the assets leased by the appraised unit for operation can be renewed normally and used continuously after the expiry of the term of the lease; and
- (14) all licenses, usage permits, consent letters, or other legal or administrative authorization documents issued by relevant local or national government agencies or organizations for using the assets which are adopted for valuation in the valuation report are used normally and compliant in compliance with the Valuation Reference Date; it is assumed that these licenses can be updated or renewed after the expiration of the validity period.

Expert qualification, consent and opinions

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

Name	Qualification
Moore Stephens CPA Limited	Certificate Public Accountants

As at the date of this announcement, the expert listed above 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 2022, 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.

Moore Stephens CPA Limited has given and has not withdrawn its written consent to the issue of this announcement with its letter and reference to its name included in the form and context in which it is included.

REASONS FOR AND BENEFITS OF THE PROPOSED TRANSACTIONS

Cement Assets Restructuring

The purpose of the Cement Assets Restructuring, as part of the Proposed Transactions is to resolve the industry competition with respect to the cement business. After the Cement Assets Restructuring, the integration of high-quality resources will strengthen the Company's leading position in the cement industry, and facilitate the resolution of industry competition among subsidiaries of the Company in the cement business sector, which serves to protect the interests of minority shareholders of the Company and fulfill the Parent and the Company's commitment to resolving the industry competition in the market.

Merger by Absorption

The purpose of the Merger by Absorption, as part of the Proposed Transactions, is to resolve the industry competition with respect to the cement business. After the Merger by Absorption of CNBM Technology, Ningxia Building Materials will become the Company's digital service platform in the future, and will be able to fully utilise the advantages of CNBM Technology's digitalisation and smart logistics business platform, and promote the digitalisation of the industry by way of digital transformation, so as to advance both the real economy and the digital economy, and realise the premium-quality development of the Company.

PROPOSED PLACING BY NINGXIA BUILDING MATERIALS

Ningxia Building Materials proposes to conduct a placing ("**Proposed Placing**", together with the Cement Assets Restructuring and the Merger by Absorption, the "**Proposed Transactions**") of additional new shares if and after the Cement Assets Restructuring and the Merger by Absorption are completed. The total amount raised will not exceed 100% of the Consideration Value for the Merger by Absorption, and the number of shares issued will not exceed 30% of the total share capital of Ningxia Building Materials. Sinoma Group will participate in the Proposed Placing as a specific

placee pursuant to a share subscription agreement entered into between Ningxia Building Materials and Sinoma Group on 28 December 2022, the principal terms of which have been set out in the Company's announcement dated 28 December 2022. The proceeds from the Proposed Placing, after deducting the relevant expenses of the Proposed Transactions, will be mainly used for the working capital of Ningxia Building Materials, payment of indebtedness, and processing of the relevant projects of CNBM Technology.

RELATIONSHIP AMONG THE PROPOSED TRANSACTIONS

The Merger by Absorption and the Cement Assets Restructuring are conditional upon each other, and neither of them will be implemented if either of them is not implemented.

The effectiveness and implementation of the Proposed Placing is conditional on the effectiveness and implementation of the Merger by Absorption, but the Merger by Absorption and the Cement Assets Restructuring are not conditional upon the successful implementation of the Proposed Placing, and whether or not the Proposed Placing will be successful will not affect the implementation of the Merger by Absorption and the Cement Assets Restructuring. This announcement is made by the Company pursuant to Part XIVA of the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) and Rule 13.09 of the Listing Rules.

INFORMATION ON THE RELEVANT PARTIES

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 services businesses.

Ningxia Building Materials

Ningxia Building Materials is a subsidiary of the Company and is principally engaged in manufacturing and sales of cement and cement clinker, commercial concrete, aggregates, cementing materials and other building materials and intelligent logistics. Its A-shares are listed and traded on the Shanghai Stock Exchange (stock code: 600449). Upon the completion of the Merger by Absorption, Ningxia Building Materials will remain as a subsidiary of the Company.

Pursuant to the audited accounts of Ningxia Building Materials for the year ended 31 December 2021 and the year ended 31 December 2022 prepared in accordance with the generally accepted accounting principles of the PRC, the net profits (before taxation) of Ningxia Building Materials for the year of 2021 and the year of 2022 are approximately:

	For the financial year ended 31 December 2021	For the financial year ended 31 December 2022
Net profits before tax (RMB)	RMB1,032.73 million	RMB731.74 million
Net profits after tax (RMB)	RMB867.23 million	RMB578.39 million

Ningxia Building Materials' net asset value and total owner's equity attributable to parent as at 31 December 2022 are approximately:

	Net asset value	Total owner's equity attributable to parent
Ningxia Building Materials	RMB7,435.13 million	RMB7,040.77 million

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).

Jiahua Gujing

Jiahua Gujing is a company owned as to 50% by each of Ningxia Building Materials and Jiahua Cement, with Ningxia Building Materials controlling the majority of voting rights in the board before the Cement Assets Restructuring. Jiahua Gujing is principally engaged in the manufacturing, sales and technical services of composite cementing materials, cement and other new materials.

Ningxia Saima

Ningxia Saima is a wholly-owned subsidiary of Ningxia Building Materials, and is principally engaged in the manufacturing and sales of cement and cement clinkers.

CNBM Technology

CNBM Technology is an indirect subsidiary of the Parent and principally engaged in value-added distribution of enterprise-level ICT (information and communication) products, cloud computing and digital services. Its shares are listed and traded on The National Equities Exchange and Quotations (stock code: 834082).

Pursuant to the audited accounts of CNBM Technology for the year ended 31 December 2021 and the year ended 31 December 2022 prepared in accordance with the generally accepted accounting principles of the PRC, the net profits (before taxation) of CNBM Technology for the year of 2021 and the year of 2022 are approximately:

	For the financial year ended 31 December 2021	For the financial year ended 31 December 2022
Net profits before tax (RMB)	RMB405.22 million	RMB81.46 million
Net profits after tax (RMB)	RMB314.98 million	RMB89.20 million

CNBM Technology's net asset value and total owner's equity attributable to parent as at 31 December 2022 and the Appraised Value as at 31 July 2022 of 100% equity interests in CNBM Technology are as follows:

	Net asset value	Total owner's equity attributable to parent	Appraised Value
CNBM Technology	RMB1,969.41 million	RMB1,950.04 million	RMB2,333.1416 million

The Company confirms, after reasonable enquiries and to the Company's knowledge, that (1) other than CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司) and CBMJI (which are all subsidiaries of the Parent), none of the Eligible Shareholders for the Cash Option is a connected person of the Company; and (2) none of the Eligible Shareholders for the Put Option is a connected person of the Company.

FINANCIAL EFFECT OF THE PROPOSED TRANSACTIONS

The Group does not expect to record any gain or loss in relation to the Proposed Transactions.

IMPLICATIONS UNDER THE LISTING RULES

Cement Assets Restructuring

Given that both Ningxia Building Materials and Tianshan Cement are listed subsidiaries of the Company, the Cement Assets Restructuring is in substance a group reorganisation which would result in a net acquisition of approximately 11.70% interests (or a maximum percentage of 35.95% after taking into account of the Put Option) in Ningxia Saima by the Company.

As the highest of the relevant percentage ratios under Rule 14.07 of the Listing Rules for the Cement Assets Restructuring will be less than 5%, the Cement Assets Restructuring does not constitute a discloseable transaction of the Company under the Listing Rules and is announced on a voluntary basis.

Merger by Absorption

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. CNBM Technology is a subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the Merger by Absorption of CNBM Technology by Ningxia Building Materials constitutes a connected transaction of the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Merger by Absorption are more than 5% but less than 25%, the Merger by Absorption constitutes (i) a discloseable transaction (both on a standalone basis and when aggregated with the grant of the Put Option as mentioned below as well as the net acquisition of Ningxia Saima) of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement requirement, and (ii) a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting, announcement, circular and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Deemed Disposal

As the issuance of Consideration Shares by Ningxia Building Materials to all the shareholders of CNBM Technology in the Merger by Absorption will result in a reduction of the Company's percentage of equity interests in Ningxia Building Materials, it therefore constitutes a deemed disposal pursuant to Rule 14.29 of the Listing Rules.

As the Parent has direct and indirect equity interests of approximately 45.0192% in aggregate in the Company, it is a substantial shareholder of the Company. Certain shareholders of CNBM Technology (including CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), CMBJI) are subsidiaries of the Parent and thus constitute connected persons of the Company. Accordingly, the issuance of Consideration Shares by Ningxia Building Materials to such shareholders of CNBM Technology in the Merger by Absorption constitutes a connected transaction of the Company.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal where the Consideration Shares are issued to all the shareholders of CNBM Technology (assuming that none of the shareholders of CNBM Technology exercises the Cash Option and the maximum number of shares in Ningxia Building Materials are to be issued as consideration) are more than 5% but less than 25%, the Deemed Disposal constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the announcement requirement.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the Deemed Disposal where the Consideration Shares are issued to the connected persons are more than 0.1% but less than 5%, the Deemed Disposal where the Consideration Shares are issued to connected persons constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules, which is subject to the reporting and announcement requirements under Chapter 14A of the Listing Rules.

Grant of Put Option

As the Company's provision of the Put Option as a Put Option Provider to the Eligible Shareholders for the Put Option to acquire shares in Ningxia Building Materials held by the Eligible Shareholders for the Put Option will constitute a grant of option under Rule 14.73 of the Listing Rules, the grant of such option will be classified as if the option has been exercised according to Rule 14.74 of the Listing Rules.

As one or more applicable percentage ratios under Rule 14.07 of the Listing Rules for the grant of Put Option (assuming that all the Put Options has been exercised and the Company is the provider of all the Put Option) are more than 5% but less than 25% (both on a standalone basis and when aggregated with the Merger by Absorption as mentioned above as well as the net acquisition of Ningxia Saima), the grant of Put Option constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, which is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under Chapter 14 of the Listing Rules.

GENERAL

An EGM will be convened for the Company's shareholders to consider, and if thought fit, approve, among other things, the Merger by Absorption.

A circular containing, among other things, details of the Merger by Absorption, financial information of the Group and the notice convening the EGM, is expected to be despatched to the Company's shareholders on or around 29 July 2023, given that additional time is required for the Company to prepare and finalise the information to be included in the circular.

Each of the Cement Assets Restructuring and the Merger by Absorption is subject to conditions, and therefore may or may not proceed. Shareholders and potential investors of the Company are advised to exercise caution when dealing in the securities of the Company.

DEFINITIONS

“Applicable Period”	each of the accounting years during the Compensation Period
“Appraised Value”	the appraised value of CNBM Technology
“Asset Restructuring Completion Date”	the date of the end of the calendar month in which the Merger Registration Date falls
“Capital Contribution Date”	the date on which Tianshan Cement makes capital contribution to Ningxia Saima pursuant to the Cement Assets Restructuring, which shall be before the Merger Registration Date

“Cash Option”	the cash option granted to the Eligible Shareholders for the Cash Option, as described in the sub-section titled “Cash Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Cash Option Provider(s)”	the Company and/or CBMJI, which will pay the cash consideration to a shareholder of CNBM Technology who requests to exercise the Cash Option and acquire the corresponding shares in CNBM Technology, as described in the sub-section titled “Cash Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Cement Assets Restructuring”	the disposal by Ningxia Building Materials of the Target Cement Assets in consideration for Tianshan Cement’s capital contribution to Ningxia Saima in form of cash
“CBMJI”	CBMJI Co., Ltd.* (中建材聯合投資有限公司), a limited liability company established under the laws of the PRC and a wholly-owned subsidiary of the Parent
“CNBM Technology”	CNBM Technology Corporation Limited* (中建材信息技術股份有限公司), an indirect subsidiary of the Parent and whose A-shares are listed and traded on the National Equities Exchange and Quotations (stock code: 834082)
“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
“Compensation Agreement”	the profit undertaking and compensation agreement dated 27 June 2023 entered into among Ningxia Building Materials and the Compensation Obligors
“Compensation Obligors”	CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)), CBMJI and CNBM Investment Company Limited* (中建材投資有限公司), who are shareholders of CNBM Technology

“Compensation Period”	three accounting years commencing from the year when the Merger by Absorption is completed, being 2023, 2024 and 2025 if the Merger by Absorption is completed in 2023; 2024, 2025 and 2026 if the Merger by Absorption is completed in 2024
“Compensation Shares”	the Consideration Shares (together with any stock, proceeds and distributions derived therefrom) received by the Compensation Obligors pursuant to the Merger by Absorption and to be compensated to Ningxia Building Materials in accordance with the Compensation Agreement
“Completion”	the completion of the Merger by Absorption
“Completion Date”	the date as agreed by CNBM Technology and Ningxia Building Materials, but no later than the date when the Consideration Shares are paid to the receivers of the exchanged shares and registered by the securities registration and clearing institution to the names of the receivers of the exchanged shares; Ningxia Building Materials will inherit and undertake all the assets, liabilities, business, contracts, licenses, personnel and all other rights and obligations of CNBM Technology on that date
“connected person”	has the meaning given to it in the Listing Rules
“Consideration Shares”	common shares in Ningxia Building Materials denominated in RMB and listed on the Shanghai Stock Exchange, with a par value of RMB1.00 each, as described in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Consideration Value”	the aggregate amount of consideration for the Merger by Absorption, as described in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“CSRC”	the China Securities Regulatory Commission

“Eligible Shareholders for the Cash Option”	all shareholders of CNBM Technology other than CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), CBMJI, CNBM Investment Company Limited* (中建材投資有限公司) and Beijing Zhongchengzhida Chuangye Investment Center (Limited Partnership)* (北京眾誠志達創業投資中心(有限合夥)) as described in the sub-section titled “Cash Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Eligible Shareholders for the Put Option”	all shareholders of Ningxia Building Materials other than the Company, as described in the sub-section titled “Put Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Exchange Ratio”	the share exchange ratio at which CNBM Technology shares will be exchanged for Ningxia Building Materials shares, as described in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“First Supplemental Agreement”	the first supplemental agreement to the Indicative Merger Agreement dated 28 December 2022 between Ningxia Building Materials and CNBM Technology in relation to the amendment to certain terms of the Merger by Absorption (including, among other things, the Pricing Reference Date, the Issue Price of the Consideration Shares and the exercise price of the Put Option)
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Indicative Asset Restructuring Agreement”	the indicative major asset sale agreement dated 28 April 2022 entered into between Ningxia Building Materials and Tianshan Cement in connection with the Cement Assets Restructuring
“Indicative Merger Agreement”	an indicative merger by absorption agreement dated 28 April 2022 between Ningxia Building Materials and CNBM Technology, in relation to the Merger by Absorption
“Internal Cement Assets Consolidation”	Ningxia Building Materials’ transfer of its certain assets (as set out in the section headed “Principle Terms of the Cement Assets Restructuring – Target Cement Assets” in this announcement) to Ningxia Saima

“Issue Amount”	the number of Consideration Shares to be issued by Ningxia Building Materials, as described in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Issue Price”	the issue price of the Consideration Shares, as described in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Jiahua Cement”	Jiahua Special Cement Co., Ltd.* (嘉華特種水泥股份有限公司), a subsidiary of Tianshan Cement
“Jiahua Gujing”	Ningxia Jiahua Gujing Materials Co., Ltd.* (寧夏嘉華固井材料有限公司), a company owned as to 50% by each of Ningxia Building Materials and Jiahua Cement, with Ningxia Building Materials controlling the majority of voting rights in the board
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Merger by Absorption”	the proposed merger by absorption by Ningxia Building Materials of CNBM Technology, pursuant to the Indicative Merger Agreement, the First Supplemental Agreement and the Second Supplemental Agreement
“Merger Registration Date”	the date on which all shares in CNBM Technology have been deregistered and exchanged for the Consideration Shares
“Ningxia Building Materials”	Ningxia Building Materials Group Co., Limited* (寧夏建材集團股份有限公司), a subsidiary of the Company and whose A-shares are listed and traded on the Shanghai Stock Exchange (stock code: 600449)
“Ningxia Saima”	Ningxia Saima Cement Co., Ltd.* (寧夏賽馬水泥有限公司), a wholly-owned subsidiary of Ningxia Building Materials
“Parent”	China National Building Material Group Co, Ltd.* (中國建材集團有限公司), the parent of the Company

“PRC”	the People’s Republic of China excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement
“Pricing Reference Date”	28 December 2022, as stated in the sub-section titled “Consideration” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Profit Undertaking Assets”	all assets of CNBM Technology which have been taken into account in the valuation of CNBM Technology in connection with the Merger by Absorption and valued by the income approach
“Proposed Placing”	the proposed placing of additional new shares by Ningxia Building Materials if and after the Cement Assets Restructuring and the Merger by Absorption are completed, as described in the section titled “Proposed Placing by Ningxia Building Materials” of this announcement
“Proposed Transactions”	the Cement Assets Restructuring, the Merger by Absorption and the Proposed Placing, as described in the section titled “Proposed Placing by Ningxia Building Materials” of this announcement
“Put Option”	the put option granted to Eligible Shareholders for the Put Option, as described in the sub-section titled “Put Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Put Option Provider(s)”	the Company and/or CBMJI, which will pay cash consideration to a shareholder of Ningxia Building Materials who requests to exercise the Put Option and acquire the corresponding shares in Ningxia Building Materials, as described in the sub-section titled “Put Option” under the section titled “Principal terms of the Merger by Absorption” of this announcement
“Qingtongxia Cement”	寧夏青銅峽水泥股份有限公司 (Ningxia Qingtongxia Cement Co., Ltd.*), a subsidiary of Ningxia Building Materials
“RMB”	Renminbi, the lawful currency of the PRC

“Second Supplemental Agreement”	the second supplemental agreement to the Indicative Merger Agreement dated 27 June 2023 (as amended by the First Supplemental Agreement dated 28 December 2022) between Ningxia Building Materials and CNBM Technology to agree on certain terms of the Merger by Absorption (including, among other things, the Issue Amount, Exchange Ratio, adjustment mechanism of the exercise price of the Cash Option, Cash Option Provider(s), Put Option Provider(s)) after completion of the relevant audit and valuation work
“Sinoma Gansu”	Sinoma (Gansu) Cement Co., Ltd.* (中材甘肅水泥有限責任公司), a subsidiary of Ningxia Building Materials
“Sinoma Group”	China National Materials Group Corporation Ltd.* (中國中材集團有限公司), a wholly-owned subsidiary of the Parent
“Sinoma Tianshui”	Sinoma (Tianshui) Cement Co., Ltd.* (天水中材水泥有限責任公司), a subsidiary of Ningxia Building Materials
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Supplemental Asset Restructuring Agreement”	the supplemental agreement dated 27 June 2023 entered into between Ningxia Building Materials and Tianshan Cement in connection with the Cement Assets Restructuring
“Target Cement Assets”	51% equity interests in Ningxia Saima subsequent to the completion of the Internal Cement Assets Consolidation
“Tianshan Cement”	Xinjiang Tianshan Cement Co., Ltd.* (新疆天山水泥股份有限公司), a subsidiary of the Company and whose A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000877)
“Valuation Reference Date”	31 July 2022
“Valuer”	Beijing Zhuoxindahua Appraisal Co., Ltd.* (北京卓信大華資產評估有限公司)

“%”

per cent

By order of the Board
China National Building Material Company Limited*
Pei Hongyan
Secretary of the Board

Beijing, the PRC
27 June 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Wei Rushan, Mr. Liu Yan, Mr. Xiao Jiaxiang and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive directors; and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue as independent non-executive directors.

* *For identification purposes only*

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from the reporting accountant, Moore Stephens CPA Limited, Certified Public Accountants in Hong Kong, for inclusion in this announcement.



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INDEPENDENT REPORT ON DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF THE EQUITY INTEREST IN CNBM TECHNOLOGY CORPORATION LIMITED (“CNBM TECHNOLOGY”)

To the Board of Directors of China National Building Material Company Limited (the “**Company**”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Beijing Zhuoxindahua Appraisal Company Limited dated 17 May 2023 in respect of the 100% equity interest of the CNBM Technology as at 31 July 2022 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement of the Company dated 27 June 2023 in connection with the proposed acquisition of equity interests in CNBM Technology (the “**Announcement**”).

Directors’ responsibilities for the discounted future estimated cash flows

The directors of the Company and CNBM Technology (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the Directors and set out in the section headed “Profit Forecast” of the Announcement (the “**Assumptions**”). The responsibilities include carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Reporting accountants’ independence and quality management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements”, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the management of the Company and CNBM Technology, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of CNBM Technology.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Moore Stephens CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 27 June 2023

APPENDIX II – LETTER FROM THE BOARD

27 June 2023

The Listing Division
The Stock Exchange of Hong Kong Limited
12/F, Two Exchange Square,
8 Connaught Place, Central, Central, Hong Kong

Dear Sirs,

CONNECTED TRANSACTION AND DISCLOSEABLE TRANSACTION IN RELATION TO THE MERGER BY ABSORPTION

We refer to the valuation report (Zhuoxindahua Ping Bao Zi (2023) No. 1065) dated 17 May 2023 in relation to the valuation of the equity interests of CNBM Technology Corporation Limited* (中建材信息技術股份有限公司) (“**CNBM Technology**”) as at 31 July 2022 prepared by Beijing Zhuoxindahua Appraisal Company Limited* (北京卓信大華資產評估有限公司) (the “**Independent Valuer**”) (the “**Valuation**”).

Since the profit undertaking in respect of CNBM Technology is based on the Valuation adopting, among others, the value of the discounted cash flow method which is a type of income approach, the profit undertakings constitute profit forecasts under Rules 14A.06(32) and 14.61 of the Listing Rules and accordingly, Rules 14A.68(7) and 14.62 of the Listing Rules are applicable. We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuations have been prepared, and reviewed the Valuations for which the Independent Valuer is responsible. We have also considered the reports from our reporting accountant, Moore Stephens CPA Limited, regarding whether the Valuations were compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rules 14A.68(7) and 14.62 of the Listing Rules, we are of the opinion that the Valuations prepared by the Independent Valuer have been made after due and careful enquiry.

Yours faithfully,
By order of the Board
China National Building Material Company Limited*
Mr. Zhou Yuxian
Chairman

Beijing, the PRC

* *For identification purpose only*