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**CNBM**

**China National Building Material Company Limited<sup>\*</sup>**

**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)

## **CONNECTED TRANSACTION ACQUISITION OF CNBM SMART**

### **EQUITY TRANSFER AGREEMENT IN RELATION TO THE ACQUISITION**

On 25 November 2022, Sinoma International, an A-share listed subsidiary of the Company, entered into the Equity Transfer Agreement with Smart IOT, in relation to a proposed acquisition of the 100% equity interests in CNBM Smart by Sinoma International from Smart IOT, in consideration for cash.

### **IMPLICATIONS UNDER THE LISTING RULES**

As the Parent has direct and indirect equity interest of approximately 44.40% in aggregate in the Company, it is a substantial shareholder of the Company. Smart IOT is a subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the Acquisition of the 100% equity interests in CNBM Smart by Sinoma International constitutes a connected transaction of the Company.

As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing rules for the acquisition are higher than 0.1% but all applicable ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing rules.

## **PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT**

### **Date**

25 November 2022

### **Parties**

- (1) Sinoma International (a subsidiary of the Company), as purchaser; and
- (2) Smart IOT, as seller

### **Target Equity Interests**

The Target Equity Interests are 100% of equity interests in CNBM Smart held by Smart IOT.

### **Nature of Transaction**

Sinoma International will purchase 100% of the equity interests in CNBM Smart from Smart IOT, in consideration for cash. After the Acquisition, CNBM Smart will become a subsidiary of Sinoma International, and therefore become an indirect subsidiary of the Company.

From the date of completing the Change of Business Registration, Sinoma International shall be entitled to the voting rights, right to dividends (including undistributed profits), right to distribution of residual asset and other shareholder's rights and obligations attached to the Target Equity Interests in accordance with relevant laws and regulations, and the articles of CNBM Smart.

### **Amount and basis of the Consideration**

The Consideration for the Target Equity Interests is RMB377 million, which was determined based on the valuation amount of the Target Equity Interests (being RMB377 million) in the Valuation Report issued by the Independent Valuer, and the Consideration will be paid in cash.

### ***Payment of the Consideration***

The cash Consideration payable by Sinoma International to Smart IOT will be settled as follows:

- (1) 50% of the cash Consideration will be paid by Sinoma International to Smart IOT within 30 business days from the date of completing the change of business registration;
- (2) the remaining cash Consideration will be paid within 30 business days from the completion of all Pre-completion Arrangements.

## **Treatment of creditor's rights and debts, profit and loss attribution**

After the Acquisition, CNBM Smart's creditor's rights and debts, (the scope of creditor's rights and debts up to the date of Completion will be determined by the Completion Audit Report) will continue to be enjoyed or borne by CNBM Smart.

On the gain or loss (as determined by the Completion Audit Report) realised the day (i.e 1 May 2022) following the Valuation Reference Date until the date of Completion:

- (1) If CNBM Smart realises profit during the aforementioned period, the profits corresponding to the Target Equity Interests will be enjoyed by Sinoma International;
- (2) If CNBM Smart realises loss during the aforementioned period, the loss corresponding to the Target Equity Interests (excluding China Building Materials Kaihui International Engineering Co., Ltd.\* (中建材凱慧國際工程有限公司) (“**Kaihui International**”)) will be borne by Smart IOT, and will be realised by way of Sinoma International deducting from the Consideration payable to Smart IOT;
- (3) In view that the financial statements of Nanjing Kaisheng International Engineering Co., Ltd., a subsidiary controlled by the Company and Kaihui International, a joint venture of CNBM Smart, are consolidated, the loss of CNBM Smart during the aforementioned period (if any) caused by the loss of Kaihui International shall be deducted when calculating the loss amount of CNBM Smart during the aforementioned period.

## **Effectiveness of the Equity Transfer Agreement**

The Equity Transfer Agreement will be take upon fulfilment of all conditions to effectiveness as set out below:

- (1) The Equity Transfer Agreement is signed/signed by chop and stamped by the respective legal representative or authorised representative of Sinoma International and Smart IOT;
- (2) Approval of the Acquisition by the competent decision-making bodies of Sinoma International; and
- (3) Approval of the Acquisition by the competent decision-making bodies of Smart IOT.

## Completion and relevant arrangements

### 1. *Pre-completion arrangements*

- (1) Sinoma International shall appoint an auditing firm to audit and produce a Completion Audit Report regarding the financial position of CNBM Smart for the period between 1 May 2022 until the Completion Date.
- (2) As at the Valuation Reference Date, CNBM Trading, China National Building Material International Saudi Co., Ltd.\* (中建材國際沙特公司), China National Building Material International Equipment Co., Ltd.\* (中建材國際裝備有限公司) and China National Building Material International Ethiopia Co., Ltd.\* (中國建材國際埃塞公司) owed CNBM Smart an aggregate of RMB77.12 million in accounts receivable, Smart IOT has promised to implore the relevant debtors to settle the aforementioned accounts receivable before the Completion Date, and unsettled accounts receivables will:
  - A. be deducted from the consideration payable by Sinoma International, the deducted amounts will be paid to CNBM Smart; or
  - B. be deducted from the amounts payable from CNBM Smart to Smart IOT.

The creditor's rights corresponding to the aforementioned deductions shall be enjoyed by Smart IOT. At the same time, before the Completion Date, Smart IOT will ensure that Smart IOT and related parties will not be using CNBM Smart's capital.

- (3) On CNBM Smart's current Saudi ACC Repair Project, any costs and expenses arising from the project from the period of 1 January 2022 until Completion Date (the income corresponding with the relevant costs and expenses have already been received by CNBM Smart's account, and are not treated as Smart IOT's liability, as determined by the Saudi ACC Repair project audit report), the total amount shall be confirmed by the Saudi ACC Repair project audit report and shall be paid by Smart IOT to CNBM Smart within 30 days of the production of the Completion Audit Report. If Smart IOT does not make timely payments of the aforementioned amounts, the amounts will:
  - A. be deducted from the consideration payable by Sinoma International, the deducted amounts will be paid to Smart IOT; or
  - B. be deducted from the amounts payable from CNBM Smart to Smart IOT.

At the same time, CNBM Smart should not continue to bear any costs or expenses for CNBM Trading or Smart IOT regarding the Saudi ACC Repair project after Completion Date.

## **2. *Other arrangements relating to Completion***

From the date of completion of the Change of Business Registration, Sinoma International will hold title, enjoy all shareholders' rights and all other rights relating to the Target Equity Interests.

After Completion, CNBM Smart's corporate governance structure and directors, supervisors and managers will be arranged in the new articles of CNBM Smart or to be determined by Sinoma International.

As for the bank facility letter guarantee provided by CNBM Trading in favour of CNBM Smart, Sinoma International and Smart IOT should cooperate to resolve the same within 3 months after the Completion Date.

### **Profit Forecast**

Since the Consideration in respect 100% of the Target Equity Interests of CNBM Smart is based on the Valuation Report adopting the value of the discounted cash flow method which is a type of income approach, the amount of Consideration constitutes a profit forecast under Rules 14A.06(32) and 14.61 of the Listing Rules. Therefore, Rules 14A.68(7) 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 Report, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the income 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 Report. 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 Report**

The principal assumptions used in the Valuation Report in respect of CNBM Smart are set out below:

### ***(I) Basic assumptions***

#### ***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 simulated market in accordance with the conditions of transaction. Transaction assumption is the most fundamental assumption in conducting the valuation of assets.

#### ***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 use of assets assumption***

The continuous use of assets assumption refers to that the appraisal method, parameters and basis should be determined according to the current use, mode of use, scale, frequency, environment and other conditions of the assets to be appraised, or on the basis of changes.

#### ***4. Continuous operation assumption***

The continuous operation assumption refers to that the appraised entity will maintain continuous operation and keep consistent with the current operation mode.

## ***(II) General assumptions***

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

1. after the benchmark date, the political, economic, social and other macro environments of the appraised entity and its business environment will not change significantly;
2. except for the laws and regulations that have been promulgated by the government on the benchmark date and have not yet been implemented and affect the operation of the appraised entity, it is assumed that there will be no significant changes in the laws and regulations related to the operation of the appraised entity during the income period;
3. changes in exchange rate, interest rate, tax, inflation and other factors involved in the operation of the appraised entity after the appraisal base date will not have a significant impact on its operating conditions in the income period (taking into account the changes in interest rates from the appraisal base date to the reporting date);
4. there will be no force majeure or unforeseeable events that will affect the operation of the appraised entity after the benchmark date;
5. the appraised entity and its assets will continue to operate and use in the future income period;
6. the accounting policies adopted by the appraised entity in the future income period are consistent with the base date of evaluation in significant aspects, and are continuous and comparable;
7. the business of the appraised entity in the future income period conforms to various national laws and regulations and is not illegal;
8. the operators of the appraised entity are responsible and the management is able to assume their responsibilities, the main management and technical personnel of the evaluated unit will not have any significant changes that affect their business changes based on the status on the benchmark date of the evaluation in the future earnings period, the management team will develop steadily, and the management system will not have any significant changes that affect their business;

9. the materials provided by the client and the appraised entity are true, complete and reliable, and there are no other defects or contingencies that may affect the evaluation conclusion that should have been provided but have not been provided, and that the evaluation professionals have performed the necessary evaluation procedures but are still unable to know;
10. there will be no litigation, mortgage, guarantee and other matters that will have a significant impact on the business performance of the appraised entity in the future income period.

### ***(III) Specific assumptions***

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

1. except for the investment in fixed assets on the benchmark date where there is definite evidence that the production capacity will change in the future, the production capacity of the enterprise is estimated based on the situation on the benchmark date, assuming that the assessed entity will not conduct major investment in fixed assets that will affect its operation in the future income period;
2. this appraisal does not take into account the impact of the external equity investment projects on the value of the appraised entity after the benchmark date;
3. the amount of taxable income of the assessed company in the future income period is basically the same as the total profit, and there is no significant permanent difference and timing difference adjustment;
4. the future income period of the assessed company will maintain the turnover of accounts receivable and accounts payable similar to that of the historical year, and there will be no significant difference in the amount of goods in arrears with that of the historical year;
5. the cash inflow and cash outflow of the assessed company in the future income period will occur evenly, and there will be no centralized recognition of revenue at a certain time point of the year.
6. the appraised entity can continue to enjoy the preferential policy of deduction of R&D expenses on the benchmark date in the future years.
7. the appraised entity will be a high-tech enterprise in the future income period and will enjoy 15% preferential corporate income tax policy.



## **EXPERT QUALIFICATION, CONSENT AND OPINIONS**

The qualification of the expert who has given its statement in this announcement is as follows:

<b>Name</b>	<b>Qualification</b>
Moore Stephens CPA Limited	Certificate Public Accountants

As at the date of this announcement, the expert listed above does 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 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 consent to the issue of this announcement with the inclusion of its letter and reference to its name in the form and context in which it appears.

## **REASONS FOR AND BENEFITS OF THE ACQUISITION**

The Acquisition will further strengthen the full industrial chain advantage of Sinoma International in the field of cement technology equipment and engineering services, further utilise Sinoma International's owner customers resources, and further improve its market layout in the field of operation and maintenance services. At the same time, Sinoma International's competitive advantages and territorial resource advantages in the field of domestic and foreign cement technology equipment and engineering services will provide strong driving force to the development of operation and maintenance services of CNBM Smart.

The Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition are fair and reasonable, and the Acquisition is conducted in the ordinary and usual course of business of the Group on normal commercial terms and is in the interests of the Company and its shareholders as a whole.

Except that five Directors (including Mr. Zhou Yuxian, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng and Mr. Peng Shou) who are employed by the Parent or its subsidiaries outside the Group and thus need to abstain from voting on the Board resolution approving the Acquisition, none of the Directors has a material interest in the Acquisition.

## INFORMATION ON RELEVANT PARTIES AND CNBM SMART

### The Company

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

### Smart IOT

Smart IOT is a wholly owned subsidiary of the Parent and is principally engaged in information product distribution, artificial intelligence, enterprise digitalization, intelligent production management, maintenance and technical transformation, spare parts supply, overseas warehouse comprehensive service and other businesses.

### 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).

### CNBM Smart

Before the Acquisition, CNBM Smart is a wholly owned subsidiary of Smart IOT and is principally engaged in cement production line operation and maintenance services, covering the whole process technical services and support of the cement plant, including production line commissioning, production operation, technical support, expert consultation, personnel training and project optimization. Upon completion of the Acquisition, CNBM Smart will become an indirect subsidiary of the Company.

The net asset value as at Valuation Reference Day (based on the latest audited consolidated accounts prepared in accordance with China's generally accepted accounting standards) and the Appraised Value as at Valuation Reference Day (based on the Valuation Report issued by the Independent Valuer) of 100% equity interests in CNBM Smart are as follows:

	<b>Net asset value</b> <i>(RMB million)</i>	<b>Appraised value</b> <i>(RMB million)</i>
CNBM Smart	136.6162	377.0000

Pursuant to the audited consolidated accounts prepared in accordance with generally accepted accounting principles of the PRC, the net profits (before and after taxation) of CNBM Smart for the financial years ended 31 December 2020, 2021 and the four months ended 30 April 2022 are as follows:

	For the financial year ended 31 December 2020		For the financial year ended 31 December 2021		For the four months ended 30 April 2022	
	Net profit before tax (RMB million)	Net profit after tax (RMB million)	Net profit before tax (RMB million)	Net profit after tax (RMB million)	Net profit before tax (RMB million)	Net profit after tax (RMB million)
CNBM Smart	64.79	56.07	7.30	6.21	7.50	6.34

## IMPLICATIONS UNDER THE LISTING RULES

As the Parent has direct and indirect equity interest of approximately 44.40% in aggregate in the Company, it is a substantial shareholder of the Company. Smart IOT is a subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the Acquisition of the 100% equity interests in CNBM Smart by Sinoma International constitutes a connected transaction of the Company.

As one or more applicable percentage ratios as defined under Rule 14.07 of the Listing rules for the acquisition are higher than 0.1% but all applicable ratios are less than 5%, according to Rule 14A.76 of the Listing Rules, the Acquisition is subject to the reporting and announcement requirements but is exempt from the circular and shareholders' approval requirements under the Listing rules.

## DEFINITIONS

“Acquisition”	the acquisitions of Smart IOT’s equity interests in CNBM Smart by Sinoma International, pursuant to the Equity Transfer Agreement
“Appraised Value”	the appraised value of 100% equity of CNBM Smart in the Valuation Report
“Board”	the board of Directors of the Company
“Change of Business Registration”	the registrations and procedures to be done at relevant departments to transfer the relevant Target Shares
“CNBM Smart”	CNBM Smart Industry Technology Co., Ltd* (中建材智慧工業科技有限公司)

“CNBM Trading”	China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司)
“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
“Completion”	the completion of the Acquisition
“Completion Audit Report”	the completion audit report produced by an auditing firm appointed by Sinoma International regarding the financial status of CNBM Smart for the period of 1 May 2022 until the Completion Date
“Completion Date”	the end of the month after the Change of Business Registration
“Consideration”	the cash consideration paid by Sinoma International to Smart IOT for the Acquisition
“Directors”	the directors of the Company
“Equity Transfer Agreement”	the equity transfer agreement dated 25 November 2022 entered into between Smart IOT and Sinoma International in connection with the Acquisition
“Group”	the Company and its subsidiaries from time to time
“Hong Kong”	the Hong Kong Special Administrative Region of the PRC
“Independent Valuer”	Watson (Beijing) International Asset Appraisal Co., Ltd.* (沃克森（北京）國際資產評估有限公司)
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent”	China National Building Material Group Co, Ltd.* (中國建材集團有限公司), the parent company 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)

“Pre-completion Arrangements”	The pre-completion arrangements as described under the section “1. Pre-Completion Arrangements” in this announcement
“RMB”	Renminbi, the lawful currency of the PRC
“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)
“Smart IOT”	China National Building Smart Internet of Things Company Limited* (中建材智慧物聯有限公司), a wholly owned subsidiary of the Parent
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Equity Interests”	the 100% equity interests held by Smart IOT in CNBM Smart which are agreed to be acquired by Sinoma International
“Valuation Reference Date”	30 April 2022, the reference date of valuation of the Target Equity Interests in the Valuation Report
“Valuation Report”	The “Asset Valuation Report” (Watson International Review (2022) no.1651) 《資產評估報告》(沃克森國際評報字(2022)第1651號) produced by the Valuer for the Acquisition
“%”	per cent

On behalf of the Board  
**China National Building Material Company Limited\***  
**Pei Hongyan**  
*Secretary of the Board*

Beijing, the PRC  
28 November 2022

*As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Xiao Jiayang and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, 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 SMART INDUSTRY TECHNOLOGY CO., LTD. (“CNBM SMART”)

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 Watson (Beijing) International Asset Appraisal Co., Ltd. dated 9 October 2022 in respect of the 100% equity interest of CNBM Smart as at 30 April 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 28 November 2022 in connection with the proposed acquisition of 100% of the equity interest in CNBM Smart (the “**Announcement**”).

#### Directors’ responsibilities for the discounted future estimated cash flows

The directors of the Company and CNBM Smart (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 Circular (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 control

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 Control 1 “Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and Other Assurance and Related Services Engagements” issued by the HKICPA and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

### **Reporting 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 Smart, 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 Smart.

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, 28 November 2022



## APPENDIX II – LETTER FROM THE BOARD

28 November 2022

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 – ACQUISITION OF CNBM SMART

We refer to the valuation report (Watson International Review (2022) no. 1651) dated 9 October 2022 in relation to the valuation of the target equity interests of CNBM Smart Industry Technology Co., Ltd\* (中建材智慧工業科技有限公司) (“**CNBM Smart**”) as at 30 April 2022 prepared by Watson (Beijing) International Asset Appraisal Co., Ltd.\* (沃克森(北京)國際資產評估有限公司) (“**Independent Valuer**”) (the “**Valuation**”):

Since the consideration in respect of 100% of the target equity interests of CNBM Smart is based on the results of Valuation adopting the value of the discounted cash flow method which is a type of the income approach, the amount of consideration constitutes a profit forecast 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(3) 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*