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)

DISCLOSEABLE TRANSACTION IN RELATION TO THE ACQUISITION OF TARGET GROUP IN TUNISIA

THE SHARE PURCHASE AGREEMENT

On 26 July 2024, Sinoma Cement (a subsidiary of the Company) entered into a share purchase agreement with Votorantim Cimentos, pursuant to which Votorantim Cimentos agreed to sell, and Sinoma Cement agreed to acquire, all the shares of the Target Company for an aggregate consideration of approximately USD130 million (subject to certain adjustments).

Upon completion of the Share Acquisition, the Target Company and its subsidiary, GJO, will both become indirect subsidiaries of the Company.

LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules regarding the Share Acquisition is more than 5% but less than 25%, the Share Acquisition constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

1. INTRODUCTION

On 26 July 2024, Sinoma Cement (a subsidiary of the Company) entered into a share purchase agreement with Votorantim Cimentos, pursuant to which Votorantim Cimentos agreed to sell, and Sinoma Cement agreed to acquire, all the shares of the Target Company for an aggregate consideration of approximately USD130 million (subject to adjustments which shall not increase the consideration by more than USD15 million as set out below) and the final consideration (after the adjustments) shall not exceed USD145 million. Completion of the Share Acquisition is subject to the satisfaction of the Conditions. Upon completion of the Share Acquisition, the Target Company and its subsidiary, GJO, will both become indirect subsidiaries of the Company.

2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT

Set out below are the principal terms of the Share Purchase Agreement:

Date 26 July 2024

Parties Sinoma Cement (as the purchaser)

Votorantim Cimentos (as the seller)

Subject matter Votorantim Cimentos agreed to sell, and Sinoma Cement agreed to acquire, the Target Shares, representing all the shares in the share capital of the Target Company

Consideration Approximately USD130 million, subject to (1) a price adjustment by reference to the estimated cash balances, debts and working capital of the Target Company (on a consolidated basis) as at the Completion Date (the "**Pre-Completion Price Adjustment**"); and (2) a second price adjustment by reference to the actual cash balances, debts and working capital of the Target Company (on a consolidated basis) as at the Completion Date based on the final completion accounts (the "**Post-Completion Price Adjustment**"). The aggregate amount by which the consideration may be increased as a result of the Pre-Completion Price Adjustment and the Post-Completion Price Adjustment shall not exceed USD15 million.

Payment terms The consideration shall be paid in two instalments:

(1) At Completion, Sinoma Cement shall pay an amount equal to the sum of USD130 million and the Pre-Completion Price Adjustment to Votorantim Cimentos.

(2) Within 10 business days after the completion accounts have been finally agreed or determined in accordance with the Share Purchase Agreement, Sinoma Cement shall pay Votorantim Cimentos any deficit in consideration (or, as the case may be, Votorantim Cimentos shall pay Sinoma Cement any excess in consideration) based on the Post-Completion Price Adjustment.

Any such payment shall be made in USD and carry interest at an agreed interest rate from and including the day after 45 business days following the Completion Date up to and including the date of actual payment, calculated on a daily basis.

Conditions

Completion of the Share Acquisition is subject to the satisfaction or waiver (as the case may be) of the following conditions (each a "**Condition**"):

(1) the Share Acquisition has been authorised or is deemed to have been authorised by the Tunisian Ministry of Trade, the Tunisian Competition Council and the Competition Commission of Common Market for Eastern and Southern Africa;

(2) the outbound investment filings with the National Development and Reform Commission of the PRC (or its authorised local counterpart) and the Ministry of Commerce of the PRC (or its authorised local counterpart) and outbound direct investment foreign exchange registration with a local bank as designated by the State Administration of Foreign Exchange of the PRC (or its authorised local counterpart) in connection with the Share Acquisition in accordance with applicable PRC laws shall have been obtained by Sinoma Cement;

(3) Votorantim Cimentos' representations and warranties as set out in the Share Acquisition Agreement shall be true, correct and not misleading as at the Completion Date (except for such representations and warranties expressed to be made as at any other specified date, which shall only be true, correct and not misleading as at such other specified date);

(4) the competent governor's approval in relation to the indirect transfer of the land where the Target Company's headquarter is located as required by Tunisian law has been obtained or such land has been transferred to a third party other than the Target Company or GJO; and

(5) no material adverse change with respect to the Target Group shall have occurred since the date of the Share Purchase Agreement.

The satisfaction of any of the Conditions as set out in (3) and (5) above may be waived by Sinoma Cement on or before the Long Stop Date. If any Condition is not satisfied or waived by the Long Stop Date, the Share Purchase Agreement shall automatically terminate on the Long Stop Date.

Assignment

Sinoma Cement may, with notification to but without the consent of Votorantim Cimentos, assign to any company in which Sinoma Cement holds more than 50% of the share capital and voting rights, all or part of its rights or obligations under the Share Purchase Agreement.

Completion Date

(1) if the date on which all of the Conditions (other than the Conditions, which by their nature are to be satisfied at Completion) have been satisfied (the "**CP Satisfaction Date**") falls on or between the first and fourteenth day of a calendar month, Completion shall take place on the last business day of such calendar month;

(2) if the CP Satisfaction Date falls on or between the fifteenth and last day of a calendar month, Completion shall take place on the last business day of the first succeeding calendar month following the month in which the CP Satisfaction Date falls; or

(3) Completion Date shall be such other date as Sinoma Cement and Votorantim Cimentos may agree in writing.

3. BASIS OF CONSIDERATION

The consideration for the Share Acquisition was determined after arm's length negotiation between the parties and having regard to, among others, valuation of the Target Company (which has been filed with the competent authority of the PRC State-Owned Assets Supervision and Administration) and the Target Group's potential capital expenditures dedicated to low-carbon green productions etc.

4. VALUATION OF THE TARGET COMPANY

4.1. Total equity value of the Target Company adopting the income approach

Based on the Valuation Report, the value of the total equity attributable to the shareholders of the Target Company adopting the income approach on the Valuation Reference Date (i.e. 31 December 2023) is USD155 million.

4.2. Reasons for adopting the income approach

By adopting the income approach, the appraised enterprise is viewed as an organic whole and the total equity value attributable to its shareholders is based on its overall profitability, which not only take account of the book value the appraised enterprise's existing assets, but also covers the value of its intangibles such as its upfront investment costs, intangible assets, operational capabilities developed later on and its management team. As the Target Company has developed relatively comprehensive production capabilities since its establishment and it has optimised and integrated its organisational structure, business model and profit-making approach etc, the income approach reasonably reflects the equity value attributable to its shareholders. In addition, the market comparable approach (which shall only be deemed as an additional reference) has also been adopted to cross check the valuation results based on the income approach.

4.3. Principal assumptions adopted in the Valuation Report

The main assumptions used in the Valuation Report are as follows:

(1) Basic assumptions

1. Assumption of continuous operation of the enterprise

The assumption of continuous operation of the enterprise assumes that the appraised enterprise's business operations are legal and there will be no unforeseeable factors that will prevent it from continuing to operate. The current use of the appraised assets remains unchanged and they will continue to be used in place.

2. Trading assumptions

The trading assumption assumes that all assets to be appraised are already in the process of trading, and the appraiser evaluates them based on simulated market conditions such as the trading conditions of the appraised assets. The trading assumption is the most fundamental prerequisite for asset valuation to proceed.

3. Open market assumption

The open market assumption assumes that transaction parties of the assets traded or intended to be traded in the market are of equal status and have the opportunity and time to obtain sufficient market information, to make rational judgments as to the functions, uses, and trading prices of the assets. The open market assumption is based on the fact that assets can be publicly traded in the market.

4. Assumption of continuous use of assets

The assumption of continuous use of assets is an assumption about the conditions under which the assets enter the market and the status of the assets under such market conditions. Firstly, the assets are assumed to be in use, and secondly, it is assumed that the assets in use will continue to be used. Under the assumption of continuous use of assets, the change of use of the assets or their optimal utilisation condition will not be considered, and the scope of application of the valuation results is subject to limitations.

(2) General assumptions

1. It is assumed that there are no material changes to the current relevant laws, regulations, policies and the macroeconomic situation of the relevant country; there are no significant changes in the political, economic and social environment of the regions where the parties to the transaction are located.

2. It is assumed that the industry of the appraised enterprise maintains a stable development trend and there is no significant change in industrial policies, management systems and relevant regulations.

3. It is assumed that the existing credit policy of the appraised enterprise will remain unchanged, and there will not be significant issues in relation to receivables recovery.

4. It is assumed that there are no other force majeure and unforeseen factors that will cause significant adverse effects on the appraised enterprise.

5. It is assumed that the management personnel of the appraised enterprise will perform their duties, and the appraised enterprise will continue to operate in compliance with all the relevant laws and regulations.

6. It is assumed that the assets of the appraised enterprise will continue to operate on a going concern basis after 31 December 2023 within the current business scope and in the current manner of operations with reasonable investments, and that the appraised enterprise will be able to retain and attract capable management personnel, key personnel, and technical personnel to support the appraised enterprise's future development, and its use of the relevant patents and technologies are legal.

7. The profit forecast is based on an analysis of the appraised enterprise's operating and management capabilities in previous years, and the valuation is based on the assumption that its existing management and operation can be maintained or further improved. Any significant fluctuation of revenue of the appraised enterprise or unforeseeable circumstances due to major decision-making about the enterprise or management reasons will not be included in the scope of valuation.

8. It is assumed that the future business operation of the appraised enterprise will be successfully implemented in accordance with its overall development plan and the plans are basically achieved.

9. It is assumed that there is no significant change to the appraised enterprise's accounting policies and auditing methodologies.

10. The valuation is based on the shareholding structure as at the Valuation Reference Date, and the impact on its operating conditions and profitability due to possible shareholding changes after the Valuation Reference Date will not be considered; additional investments that may be made in the future due to management, operation strategies, or expansion will not be considered either.

11. It is assumed that the appraised enterprise can maintain its operating resources and advantages, maintain and improve its market services, and improve its market competitiveness.

12. Perpetual growth rate: It is assumed to be the average of the forecasted 2028 Tunisia GDP growth rate of 2.6% and the forecasted United States inflation level (CPI) of 2.1% and is 2.4%.

4.4. Forecast model and forecast period

1) Forecast model

The income method adopted in the valuation arrives at the valuation result by forecasting the expected net cash flows of the subject assets in the future and converting it into current value using appropriate discount rate. The basic conditions for its application are that the enterprise has the requisite basis and conditions for continuing operation, there is a relatively stable correlation between the operation of its assets and its income, and that the future income and risks can be predicted and quantified.

The valuation adopts the income method to indirectly ascertain the value of total shareholders' equity through the valuation of the overall value of the enterprise. The valuation model adopted for the income approach is the enterprise's cash flows.

The overall value of the enterprise = the value of operating assets + the value of surplus assets + the value of non-operating assets – the value of non-operating liabilities

The value of total shareholders' equity = the overall value of the enterprise - the value of interest - bearing liabilities

The rationale of the valuation is to estimate the value of the enterprise based on its financial statements. Firstly, the value of operating assets was estimated by the discounted cash flow method (DCF) according to the income approach; the value of surplus assets, non-operating assets or liabilities etc, were then considered to arrive at the value of total shareholders' equity.

2) Forecast period

The Valuation Reference Date is 31 December 2023.

For this valuation, the future earnings of the continuously operating assets are divided into two stages, taking into account the assumption of continuous operation; the first stage is a five-year period from 1 January 2024 to 31 December 2028, during which the future earnings of the enterprise are projected based on the enterprise free discounted cash flows model; and the second stage is the period from 1 January 2029 to perpetuity, during which the earnings would grow at a perpetual growth rate based on its earnings in 2028.

4.5. Earnings forecast during the forecast period

1) Forecast for operating incomes

The revenue of the appraised entity is mainly derived from its cement business and the proportion of revenue from cement sales has been on an increasing trend in the historical years, which was mainly attributed to the overall increase in unit sales price and the increase in export sales.

Market demand for cement: Demand in the Tunisian market is expected to grow on an annual basis over the forecast period as domestic demand for infrastructure construction and housing construction would be boosted by international financial assistance, which overlaps with the demand due to Libya's post war reconstruction.

Cement price: The market price of cement maintained a continuous upward trend over the historical period. Cement prices are expected to rise in line with Tunisia's inflation over the forecast period but would remain within the range of historical cement prices.

Cement sales volume: Cement sales volumes are expected to grow annually over the forecast period in line with the expansion of the overall market demand.

Aggregate sales revenue: Aggregate sales revenue growth is forecast to be in line with the cement sales revenue growth over the 2024-2028 forecast period.

2) Forecast for operating costs

Cement variable costs: The variable costs of cement per unit would decrease slightly over the forecast period, mainly due to the decline in energy prices from the 2022 – 2023 peaks and the increase in use of alternative fuels.

Aggregate variable costs: The forecast is based on the average amount during the historical financial periods.

Fixed costs: The forecast is based on the average amount during the historical financial periods and fixed costs are expected to decrease on an annual basis over the forecast period.

3) Forecast for sales and administrative expenses

The forecast for sales and administrative expenses is based on the average amount during the historical financial years, which would increase slightly on an annual basis during the forecast period.

4) ***Forecast for depreciation and amortisation***

The forecast for depreciation rate is based on the average rate during the historical financial years and the depreciation expense is forecasted as a proportion of the fixed assets in the preceding year during the forecast period.

5) ***Forecast for capital expenditure***

Capital expenditures are divided into two categories: renewal capital expenditures and expansion capital expenditures. The assets within the scope of this valuation can meet the corresponding production capacity requirement for the income forecasts and therefore no expansion capital expenditures need to be considered. Renewal capital expenditure is projected in accordance with the maintenance capital expenditure plan provided by the appraised enterprise.

6) ***Forecast for working capital***

Inventory turnover days: The forecast is based on the historical average number of days.

Accounts receivable days: The forecast is based on the historical average number of days.

Accounts payable days: During the historical financial period, the appraised enterprise purchased petroleum coke and other raw materials through Votorantim Cimentos group with a payment period of up to 365 days. The appraised enterprise is expected to purchase raw materials such as petroleum coke from other third-party suppliers after the parties reach agreement on a transitional service contract. The payment period is expected to decrease on an annual basis during the forecast period. The forecast is based on the historical payment period and the average payment period of local cement companies.

7) ***Forecast for income tax***

The appraised enterprise enjoyed a preferential tax rate of 10% and GJO is subject to a corporate income tax rate of 15%. The forecasted corporate income tax rate during the forecast period is 12%.

8) ***Forecast for discount rate***

The weighted average cost of capital (WACC) of the enterprise is used as the discount rate for its free cash flows. The formula for calculating WACC is:

$$WACC = Ke * E/(D+E) + Kd * (1-t) * D/(D+E)$$

Where:

1) Ke: cost of equity

2) E/(D+E): the estimated target equity ratio of appraised enterprise based on the market value

3) Kd: cost of debt

4) D/(D+E): debt-to-capital ratio based on the target capital structure

5) T: income tax rate

Cost of equity (ke) = rf1 + $\beta e \times RPm$ + rc

Where:

1) rf1: risk-free rate of return

2) RPm: market risk premium

3) Rc: enterprise-specific risk adjustment coefficient

4) βe: market risk coefficient of equity; $\beta e = \beta u \times [1+(1-t) \times (D/E)]$

In addition:

1) βu: expected unlevered market risk coefficient for comparable companies; $\beta u = \beta L / [1+(1-t) \times (Di/Ei)]$

2) βL: expected levered average market risk coefficient for comparable companies

The discount rate in the valuation is 18.8% and the methodology of calculation is detailed below.

Determining the risk-free rate of return (rf)

The risk-free rate of return reflects the basic value that can be earned when the principal is free of default risk and the expected income is guaranteed. The 4.1% yield on United States 10-year Treasury rate plus the 13.2% country risk premium estimated by New York University (17.3% in total) is selected as the risk-free rate of return in the valuation.

Determining the market risk coefficient of equity (βe)

$\beta e = \beta u \times [1+(1-t)\times(D/E)]$

In light of the business characteristics of the appraised enterprise and based on the closeness or similarity between the business of comparable companies and the appraised enterprise, βu is selected as the median value for European and local cement companies, which is 0.68.

Afterwards, the βe of enterprise is calculated by using the target capital structure of appraised entity. $\beta e = \beta u \times [1+(1-t)\times(D/E)] = 0.92$.

Determining the market risk premium (RPm)

The market risk premium refers to the difference between the rate of return received from riskier equity and risk-free assets, which generally refers to the excess of average return of constituent stocks of typical stock market index over the average risk-free rate of return (usually refers to the yield of long-term treasury bonds) (Rm-Rf1). 6.0% is taken as the market risk premium (Rm-Rf1) in the valuation based on market estimation.

Determining the enterprise-specific risk adjustment coefficient (rc)

Enterprise-specific risk adjustment coefficient (rc) denotes the unsystematic risk which is the risk adjusted rate of return required due to the factors specific to the appraised enterprise. When compared with peer listed companies and taking into account of factors as a whole such as the appraised enterprise' scale of operation, brand awareness and recognition in the market, competitive advantages and disadvantages, assets and liabilities, enterprise- specific risk is 0.9% in the valuation.

Determining the cost of debt (kd)

The median cost of debt for local comparable cement companies is adopted as the cost of debt (kd). The pre-tax cost of debt is 8.1%, and the after-tax cost of debt is 6.9%.

Determining the WACC

$WACC = Ke * E/(D+E) + Kd * (1-t) * D/(D+E) = 18.8\%$

4.6. Determining the value of surplus assets

Surplus assets are assets that are not directly related to the revenue of an enterprise and are in excess of the operating requirements of the enterprise. The surplus assets of the appraised enterprise mainly include surplus monetary funds as at the Valuation Reference Date.

4.7. Determining the interest-bearing liabilities

This refers to debts with interest payable on account as at the Valuation Reference Date, including short-term borrowings, interest-bearing bills payable, long-term borrowings due within one year, long-term loans, bonds payable and long-term payables etc. The appraised entity had no interest-bearing liabilities as at the Valuation Reference Date.

Taking account of the surplus assets and the interest-bearing liabilities, the appraised enterprise has positive net cash on account as at the Valuation Reference Date.

4.8. Determining the non-operating assets (liabilities)

Non-operating assets (liabilities) refer to non-productive assets (liabilities) that are not directly related to the revenue of the appraised enterprise. The appraised enterprise does not have any non-operating assets (liabilities) as at the Valuation Reference Date.

5. PROFIT FORECAST

Since the consideration in respect of the Share Acquisition took account of the valuation of all shareholders' equity interests in the Target Company as at the Valuation Reference Date adopting the income approach, the valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules, and Rule 14.60A of the Listing Rules is applicable.

Moore CPA Limited, the reporting accountant of the Company, has reported on the calculations for the forecasts used in the Valuation Report, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted cash flows 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 refer to 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 refer to the Letter from the Board in Appendix II.

5.1. Expert qualification, consent and opinion

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

Name	**Qualification**
Moore 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 2023, 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 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.

6. INTENDED ASSIGNMENT AFTER EXECUTION OF THE SHARE PURCHASE AGREEMENT

After execution of the Share Purchase Agreement and before Completion, Sinoma Cement intends to assign all or part of its rights and obligations under the Share Purchase Agreement to a special purpose vehicle (the "**Proposed Assignment**") to be set up in the United Arab Emirates (the "**UAE SPV**"), the equity interest in which is proposed to be owned as to more than 50% by Sinoma Cement (through its wholly-owned subsidiary, Sinoma Cement HK) with the rest of the equity interest proposed to be owned by other investor(s). Sinoma Cement intends to complete the Proposed Assignment before Completion such that the Target Company would be wholly owned by the UAE SPV (which would be a subsidiary of the Company) at Completion.

7. REASONS FOR AND BENEFITS OF THE SHARE ACQUISITION

The Share Acquisition is in line with the Company's strategy and Tianshan Material's internationalisation development plan. There are vibrant cement markets in countries along the "One Belt and One Road", and the Share Acquisition is expected to accelerate the Group's internationalisation deployment. In addition, the Target Company has a long operating history, stable operation, and is geographically located close to the ports with favourable location conditions and is a mature integrated cement enterprise in the regional market. The acquired assets are of high quality, and the production lines of the Target Company are in line with the Group's production lines and can bring significant synergy to the current businesses of the Group.

The Board (including the independent non-executive Directors) is of the view that the terms of the Share Purchase Agreement are fair and reasonable, and the Share 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.

8. INFORMATION OF RELEVANT PARTIES

The Company

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

Sinoma Cement

Sinoma Cement, a subsidiary of the Company, is a limited liability company incorporated under the PRC law and is mainly engaged in the production of cement, cement auxiliary materials and cement products, the sales of cement, cement auxiliary materials and cement products, technical services, and leasing of office space.

Votorantim Cimentos

Votorantim Cimentos is a sole-shareholder joint stock company organised under the laws of the Kingdom of Spain. Votorantim Cimentos is mainly engaged in the businesses of building materials (such as cements, concretes, mortars and aggregates), agricultural solutions and waste management etc. Based on publicly available information, Votorantim Cimentos is ultimately and beneficially owned and controlled by the Brazilian Ermírio de Moraes family (with 53 family members holding interests in the Votorantim group). The Company confirms that, to the best of the Directors' knowledge, information and belief and having made all reasonable enquiries, Votorantim Cimentos and its ultimate beneficial owners are third parties independent of the Company and connected persons of the Company.

Target Company

Prior to Completion, the Target Company will be held as to 100% by Votorantim Cimentos. The Target Company is a joint stock company organised under the laws of Tunisia, which will hold all the shares of GJO prior to Completion.

As of the date of this announcement, each of the Target Company and GJO is primarily engaged in the production of cement and aggregate.

The following table sets forth the financial information of the Target Group, as prepared in accordance with the IFRS:

	31 December 2022[(1)(3)] *(USD million)* (unaudited)	**31 December 2023**[(2)(3)] *(USD million)* (unaudited)
Total assets	107	102
Net assets	53	59
Revenue	85	91
Profit before taxation	14	21
Profit after taxation	12	18

Notes:

(1) The figures are calculated based on the exchange rate of USD1 = TND3.11 as at 31 December 2022 as quoted by the Central Bank of Tunisia.

(2) The figures are calculated based on the exchange rate of USD1 = TND3.07 as at 31 December 2023 as quoted by the Central Bank of Tunisia.

(3) The figures have been subject to rounding.

9. LISTING RULES IMPLICATIONS

As the highest of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules regarding the Share Acquisition is more than 5% but less than 25%, the Share Acquisition constitutes a disclosable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements under Chapter 14 of the Listing Rules.

10. DEFINITIONS

"Board"	the board of directors of the Company
"Company"	China National Building Material Company Limited (中國建材股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Stock Exchange
"Completion"	the transfer to Sinoma Cement by Votorantim Cimentos of the ownership of the Target Shares pursuant to the Share Purchase Agreement
"Completion Date"	the date on which Completion takes place

"Condition"	as defined in the section headed "2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT – Conditions" of this announcement
"CP Satisfaction Date"	as defined in the section headed "2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT – Completion Date" of this announcement
"Directors"	the directors of the Company
"GJO"	Granulats Jbel Oust, a joint stock company organised under the laws of Tunisia and a subsidiary of the Target Company, all the shares in which will be held by the Target Company prior to Completion
"Group"	the Company and its subsidiaries from time to time
"Hong Kong"	The Hong Kong Special Administrative Region of the PRC
"IFRS"	the International Financial Reporting Standards as issued by the International Accounting Standards Board
"Listing Rules"	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
"Long Stop Date"	9 months from the date of the Share Purchase Agreement; or, as the case may be, any later date agreed in writing between Sinoma Cement and Votorantim Cimentos
"Pre-Completion Price Adjustment"	as defined in the section headed "2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT – Consideration" of this announcement
"Post-Completion Price Adjustment"	as defined in the section headed "2. PRINCIPAL TERMS OF THE SHARE PURCHASE AGREEMENT – Consideration" of this announcement
"PRC"	the People's Republic of China (excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement)
"Share Acquisition"	the acquisition of all the shares of the Target Company by Sinoma Cement from Votorantim Cimentos pursuant to the Share Purchase Agreement

“Share Purchase Agreement”	the share purchase agreement dated 26 July 2024 entered into between Votorantim Cimentos (as the seller) and Sinoma Cement (as the purchaser) in relation to the Share Acquisition
“Sinoma Cement”	中材水泥有限責任公司 (Sinoma Cement Co., Ltd.*), a company incorporated under the laws of the PRC, which is held as to 60% by Tianshan Materials and 40% by Sinoma International, respectively as at the date of this announcement.
“Sinoma Cement HK”	Sinoma Cement (Hong Kong) Investment Company Limited(中材水泥(香港)投資有限公司), a company incorporated under the laws of Hong Kong and a wholly-owned subsidiary of Sinoma Cement
“Sinoma International”	中國中材國際工程股份有限公司 (Sinoma International Engineering Co., Ltd.), a company incorporated under the laws of the PRC and a subsidiary of the Company, the shares of which are listed on the Shanghai Stock Exchange (stock code: 600970.SH)
“Stock Exchange”	The Stock Exchange of Hong Kong Limited
“Target Company”	Société Les Ciments de Jbel Oust, a joint stock company organised under the laws of Tunisia, which will be wholly owned by Votorantim Cimentos prior to Completion
“Target Group”	Target Company and GJO
“Target Shares”	1,086,900 ordinary shares with a nominal value of TND100 each in the share capital of the Target Company.
“Tianshan Materials”	天山材料股份有限公司 (Tianshan Materials Co. Ltd.*) (formerly known as 新疆天山水泥股份有限公司 (New Tianshan Cement Co., Ltd*)), a company incorporated under the laws of the PRC and a subsidiary of the Company, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000877.SZ)
“TND”	the lawful currency of Tunisia
“USD”	the lawful currency of the United States of America

"Valuation Reference Date"	31 December 2023
"Valuation Report"	The "Valuation Report" (North Asia Review (2024) No.01-148) 《資產評估報告》(北方亞事估報字[2024]第[01-148]號) dated 22 July 2024 issued by North Asia Asset Assessment Co., Ltd* (北方亞事資產評估有限責任公司) in relation to the valuation of the Target Company as at the Valuation Reference Date
"Independent Valuer"	North Asia Asset Assessment Co., Ltd* (北方亞事資產評估有限責任公司)
"Votorantim Cimentos"	VOTORANTIM CIMENTOS EAA INVERSIONES S.L.U., a joint stock company organised under the laws of the Kingdom of Spain
"%"	per cent

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

Beijing, the PRC
26 July 2024

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Wei Rushan, Mr. Liu Yan and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, Mr. Xiao Jiaxiang, Mr. Shen Yungang and Mr. Chen Shaolong 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*

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

MOORE

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大華馬施雲
會計師事務所有限公司

INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 100% EQUITY INTEREST IN SOCIÉTÉ LES CIMENTS DE JBEL OUST ("CJO")

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 North Asia Asset Assessment Co., Ltd dated 22 July 2024 in respect of the 100% equity interest of CJO as at 31 December 2023 (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 26 July 2024 in connection with the proposed acquisition of CJO (the "**Announcement**").

Directors' responsibility for the discounted future estimated cash flows

The directors of the Company (the "**Directors**") are 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 "VALUATION OF THE TARGET COMPANY" of the Announcement (the "**Assumptions**"). The responsibility includes 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.

Our 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 (HKSQM) 1 "Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements" issued by the HKICPA, 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' responsibility

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 14.60A 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, 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 CJO.

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 CPA Limited
Certified Public Accountants

Cheung Sai Kit
Practising Certificate Number: P05544

Hong Kong, 26 July 2024

26 July 2024

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

Dear Sirs,

DISCLOSEABLE TRANSACTION
ACQUISITION OF EQUITY INTERESTS IN TARGET GROUP

We refer to the valuation report (North Asia Review (2024) No.01-148) dated 22 July 2024 in relation to the valuation of the total equity interests in Société Les Ciments de Jbel Oust (the "**Target Company**") as at 31 December 2023 prepared by North Asia Asset Assessment Co., Ltd* (北方亞事資產評估有限責任公司) ("**Independent Valuer**") (the "**Valuation**").

Since the consideration in respect of the acquisition of all the shares in the share capital of the Target Company takes account of the valuation of the total equity attributable to the shareholders of the Target Company as at the Valuation Reference Date adopting the income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.60A of the Listing Rules is applicable. We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuation has been prepared, and reviewed the Valuation for which the Independent Valuer is responsible. We have also considered the report from our reporting accountant, Moore CPA Limited, regarding whether the Valuation was compiled properly so far as the calculations are concerned.

Pursuant to the requirements of the Listing Rules, we are of the opinion that the Valuation 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*