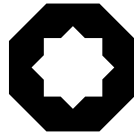

LETTER FROM THE BOARD



CNBM

China National Building Material Company Limited*

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

Executive Directors:

Mr. Zhou Yuxian (*Chairman*)
Mr. Wei Rushan
Mr. Wang Bing

*Registered office and principal place of
business in the PRC:*

Tower 2 (Building B), Guohai Plaza
17 Fuxing Road, Haidian District
Beijing, the PRC

Non-executive Directors:

Mr. Wang Yumeng
Mr. Shen Yungang
Mr. Chen Shaolong

Place of Representative Office in Hong Kong:

Room 1915, 19/F, Lee Garden One
33 Hysan Avenue, Causeway Bay
Hong Kong, the PRC

Independent non-executive Directors:

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

27 January 2025

To the Shareholders,

Dear Sir/Madam,

- (1) CONDITIONAL CASH OFFER BY MORGAN STANLEY ASIA LIMITED
ON BEHALF OF
CHINA NATIONAL BUILDING MATERIAL COMPANY LIMITED
TO BUY-BACK UP TO 841,749,304 H SHARES AT HK\$4.03 PER H SHARE**
- (2) APPLICATION FOR WHITEWASH WAIVER**
- (3) PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR**
- (4) NOTICE OF EGM**
- (5) NOTICE OF H SHAREHOLDERS' CLASS MEETING
AND**
- (6) NOTICE OF DOMESTIC SHAREHOLDERS' CLASS MEETING**

LETTER FROM THE BOARD

INTRODUCTION

On 6 December 2024, the Board announced that Morgan Stanley, on behalf of the Company, firmly intends, subject to the satisfaction of the Pre-Conditions, to make a cash offer to buy-back for cancellation, up to the Maximum Number, being 841,749,304 H Shares, representing approximately 9.98% of the issued Shares and approximately 18.47% of the issued H Shares as at the Latest Practicable Date, at the Offer Price of HK\$4.03 per H Share.

On 24 January 2025, the Company announced that the Pre-Conditions had been satisfied.

The purpose of this Offer Document is to provide you with, among other things, (i) detailed information relating to the Offer and the Whitewash Waiver; (ii) a letter from the Independent Board Committee containing its recommendation and advice to the Independent Shareholders as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; (iii) a letter of advice from Gram Capital containing its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting; and (iv) notices of EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting.

The Form of Acceptance accompanying this Offer Document is for use only by the Qualifying Shareholders who wish to accept the Offer.

THE OFFER

The H Shares to be bought-back by the Company will not exceed the Maximum Number. Upon acceptance of the Offer and upon the basis of the section headed "SALIENT TERMS OF THE OFFER" set out in the "Letter from Morgan Stanley" in this Offer Document, the Company will pay the Accepting Shareholders HK\$4.03 per H Share in cash.

As at the Latest Practicable Date, there were 8,434,770,662 Shares in issue. There are no outstanding options, warrants, derivatives or convertibles which may confer any rights to the holder(s) thereof to subscribe for, convert or exchange into Shares.

The Offer is made in full compliance with the Codes, and is conditional upon fulfillment of all of the following Conditions which are set out in the section headed "CONDITIONS TO THE OFFER" in the "Letter from Morgan Stanley" in this Offer Document:

- (a) the passing of special resolutions by a majority of not less than two-thirds (2/3) of the votes cast by way of poll by the H Shareholders present and voting in person or by proxy at the H Shareholders' Class Meeting in respect of matters relating to the Offer, the reduction of the registered capital of the Company and relevant arrangements;
- (b) the passing of special resolutions by a majority of not less than two-thirds (2/3) of the votes cast by way of poll by the Domestic Shareholders present and voting in person or by proxy at the Domestic Shareholders' Class Meeting in respect of matters relating to the Offer, the reduction of the registered capital of the Company and relevant arrangements;

LETTER FROM THE BOARD

- (c) the approval at the EGM by:
 - (i) a majority of not less than two-thirds (2/3) of the votes cast by way of poll by the Shareholders present and voting in person or by proxy in respect of matters relating to the Offer, the reduction of the registered capital of the Company and relevant arrangements;
 - (ii) a majority of not less than 50% of the votes cast by way of poll by the Independent Shareholders present and voting in person or by proxy in respect of the Offer; and
 - (iii) at least 75% of the votes cast by way of poll by the Independent Shareholders present and voting in person or by proxy in respect of the Whitewash Waiver;
- (d) valid acceptances of the Offer being received (and not, where permitted, withdrawn) in respect of the Maximum Number by 4:00 p.m. on the closing day of the Offer (or such later time and date as the Company may, subject to the Takeovers Code, decide);
- (e) the Executive granting the Whitewash Waiver and the satisfaction of any condition attached to the Whitewash Waiver and the Whitewash Waiver not having been revoked or withdrawn; and
- (f) all necessary consents in connection with the Offer which may be required under any existing contractual or other obligations of the Group, joint ventures and controlled corporations of the Company having been obtained and remaining in effect.

Save for Conditions (d) and (f) which may be waived by the Company, none of the above Conditions can be waived.

The Offer is subject to all of the Conditions being fulfilled or waived (where applicable). If the Whitewash Waiver is not granted by the Executive, or if the resolutions to approve the Offer or the Whitewash Waiver are not passed by the Independent Shareholders, the Offer will not proceed and will immediately lapse.

It should be noted that dealings in the Shares will continue notwithstanding that any of the Conditions may remain unfulfilled, and that persons dealing in the Shares will bear the risk that the Offer may lapse.

Shareholders are advised to consider the detailed terms of the Offer and the Whitewash Waiver and read, among other things, the letter from the Independent Board Committee and the letter of advice from the Independent Financial Adviser to the Independent Board Committee to be contained in this Offer Document before deciding whether to vote for or against the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at (as applicable) the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. Shareholders should also note that their voting decision on the resolutions in respect of the Offer, the reduction of the registered capital of the Company and relevant arrangements and the Whitewash Waiver to be proposed at (as applicable) the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting will not

LETTER FROM THE BOARD

affect their ability to accept or not accept the Offer. If Shareholders are in any doubt as to any aspect of the Offer and the Whitewash Waiver or as to the action to be taken, they should seek independent professional advice.

Shareholders and potential investors are advised to exercise caution when dealing in the Shares and should consult their professional advisers when in doubt.

Pursuant to Rule 5.1 of the Share Buy-backs Code and Rule 15.3 of the Takeovers Code, if the Offer is declared unconditional, Qualifying Shareholders who have not tendered their H Shares for acceptance will be able to tender their H Shares for acceptance under the Offer for a period of 14 days thereafter.

THE OFFER PRICE

The Offer Price of HK\$4.03 per Share valued the entire issued share capital of the Company as at the Latest Practicable Date at approximately HK\$33,992 million.

The Offer Price represents:

- (a) a premium of approximately 12.3% over the closing price of the H Shares of HK\$3.59 per H Share as quoted on the Stock Exchange on the Latest Practicable Date;
- (b) a premium of approximately 15.1% over the closing price of the H Shares of HK\$3.50 per H Share as quoted on the Stock Exchange on the Last Trading Day;
- (c) a premium of approximately 16.7% over the average closing price of approximately HK\$3.45 per H Share as quoted on the Stock Exchange for the last 5 trading days up to and including the Last Trading Day;
- (d) a premium of approximately 19.8% over the average closing price of approximately HK\$3.36 per H Share as quoted on the Stock Exchange for the last 10 trading days up to and including the Last Trading Day;
- (e) a premium of approximately 19.5% over the average closing price of approximately HK\$3.37 per H Share as quoted on the Stock Exchange for the last 30 trading days up to and including the Last Trading Day;
- (f) a premium of approximately 29.1% over the average closing price of approximately HK\$3.12 per H Share as quoted on the Stock Exchange for the last 60 trading days up to and including the Last Trading Day;
- (g) a discount of approximately 70.2% to the Group's audited net asset value attributable to the Shareholders of approximately RMB12.49 (equivalent to approximately HK\$13.52 based on the exchange rate of HK\$1:RMB0.9235) per Share pursuant to the latest audited consolidated financial statements of the Company as at 31 December 2023 (prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board), calculated based on the audited

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consolidated net asset value attributable to the Shareholders of RMB105,325,482 (amount in thousands) as at 31 December 2023 and 8,434,770,662 Shares in issue as at the Latest Practicable Date;

- (h) a discount of approximately 68.3% to the Group's unaudited net asset value attributable to the Shareholders of approximately RMB11.72 (equivalent to approximately HK\$12.70 based on the exchange rate of HK\$1:RMB0.9235) per Share pursuant to the unaudited consolidated financial statements of the Company as at 30 June 2024 (prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board), calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB98,888,406 (amount in thousands) as at 30 June 2024 and 8,434,770,662 Shares in issue as at the Latest Practicable Date; and
- (i) a discount of approximately 68.6% to the Group's unaudited net asset value attributable to the Shareholders of approximately RMB11.86 (equivalent to approximately HK\$12.84 based on the exchange rate of HK\$1:RMB0.9235) per Share pursuant to the unaudited consolidated financial statements of the Company as at 30 September 2024 (prepared in accordance with PRC GAAP), calculated based on the unaudited consolidated net asset value attributable to the Shareholders of RMB100,023,628,409 as at 30 September 2024 and 8,434,770,662 Shares in issue as at the Latest Practicable Date.

The Offer Price was determined after taking into account, among other things, the historical prices of the H Shares traded on the Stock Exchange, historical financial information of the Company, and the prevailing market conditions and sentiments, and with reference to share buy-back transactions in Hong Kong in recent years.

If, after the Latest Practicable Date, any dividend, distribution or other return of capital is declared, paid, made or agreed to be paid or made in respect of the Shares, the Company reserves the right to reduce the Offer Price by an amount equal to the amount of such dividend or other distribution per Share, after consultation with the Executive.

CONFIRMATION OF FINANCIAL RESOURCES

The consideration for the Offer, being a total of HK\$3,392,249,695 if the Offer is accepted in full, will be paid to the Accepting Shareholders in cash and will be funded by internal cash resources of the Group.

Morgan Stanley is satisfied that sufficient financial resources are available to the Company to enable it to satisfy acceptances of the Offer in full.

WHITEWASH WAIVER

As at the Latest Practicable Date, the CNBM Parent Concert Group held 3,797,269,981 Shares (including 183,964,000 H Shares and 3,613,305,981 Domestic Shares), representing approximately 45.02% of the total number of issued Shares as at the Latest Practicable Date. Pursuant to Rule 32 of the Takeovers Code and

LETTER FROM THE BOARD

Rule 6 of the Share Buy-backs Code, if as a result of a share buy-back, a Shareholder's proportionate interest in the voting rights of the Company increases, such increase will be treated as an acquisition for the purposes of the Takeovers Code.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer, taking into account all the Conditions are fulfilled or waived (where applicable), the aggregate interests of the CNBM Parent Concert Group may increase to a maximum level of approximately 50.01% of the issued share capital of the Company upon completion of the Offer, thereby triggering an obligation under Rule 26 of the Takeovers Code for CNBM Parent to make a mandatory general offer for all the Shares not already owned by it and parties acting in concert with it. Accordingly, an application has been made to the Executive by CNBM Parent for the Whitewash Waiver. The Executive has indicated that it is minded, subject to the approval of the Independent Shareholders for the Offer and the Whitewash Waiver at the EGM by way of poll, to waive any obligation of CNBM Parent to make a general offer which might result from completion of the Offer.

The Offer is conditional upon the approval of the relevant resolutions at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting, the Offer and the Whitewash Waiver being approved by the Independent Shareholders at the EGM and the Whitewash Waiver being granted by the Executive.

If the Offer or the Whitewash Waiver is not approved by the Independent Shareholders, or if the Whitewash Waiver is not granted by the Executive, the Offer will not proceed and will immediately lapse.

Depending on the level of acceptances received from the Accepting Shareholders pursuant to the Offer and in the event that the aggregate interests of the CNBM Parent Concert Group exceed 50% of the issued Shares upon completion of the Offer, the CNBM Parent Concert Group may increase its aggregate shareholding in the Company subsequent to completion of the Offer without triggering any obligation under Rule 26 of the Takeovers Code to make a mandatory general offer.

As at the Latest Practicable Date, the Company did not believe that the transactions under the Offer and the Whitewash Waiver would give rise to any concerns in relation to compliance with other applicable rules or regulations (including the Listing Rules) in Hong Kong. The Company notes that the Executive may not grant the Whitewash Waiver if the transactions under the Offer and the Whitewash Waiver do not comply with other applicable rules and regulations.

LETTER FROM THE BOARD

CHANGES IN SHAREHOLDING STRUCTURES

The table below shows the Company's shareholding structure as at the Latest Practicable Date and immediately after completion of the Offer, assuming that (i) all the H Shares (other than the H Shares held by CNBM Parent Concert Group) will be tendered under the Offer; and (ii) there will be no other change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of completion of the Offer:

Name of Shareholder	As at the Latest Practicable Date			Immediately after completion of the Offer		
	Class of Shares	Number of Shares	Approx. % of total share capital	Class of Shares	Number of Shares	Approx. % of total share capital
H Shareholders						
CNBM Parent Concert Group						
CNBM Parent	H Shares	8,536,000	0.10	H Shares	8,536,000	0.11
CNBM United Investment Co., Ltd. ("CNBM United Investment")	H Shares	168,628,000	2.00	H Shares	168,628,000	2.22
Sinoma Investment (Hong Kong) Co., Ltd. ("Sinoma Investment") (Note 2)	H Shares	6,800,000	0.08	H Shares	6,800,000	0.09
Sub-total	H Shares	183,964,000	2.18	H Shares	183,964,000	2.42
Morgan Stanley Concert Group (Note 1)	-	-	-	-	-	-
Independent H Shareholders	H Shares	4,374,182,500	51.86	H Shares	3,532,433,196	46.52
Sub-total of H Shareholders	H Shares	4,558,146,500	54.04	H Shares	3,716,397,196	48.94
Domestic Shareholders						
CNBM Parent Concert Group (Note 3)						
CNBM Parent	Domestic Shares	628,592,008	7.45	Domestic Shares	628,592,008	8.28
Beijing New Building Material (Group) Co., Ltd. ("BNBMG")	Domestic Shares	1,485,566,956	17.61	Domestic Shares	1,485,566,956	19.56
China National Materials Group Corporation Ltd. ("Sinoma Parent")	Domestic Shares	1,270,254,437	15.06	Domestic Shares	1,270,254,437	16.73
CNBM United Investment	Domestic Shares	227,719,530	2.70	Domestic Shares	227,719,530	3.00
China Building Materials Academy Co., Ltd. ("Building Materials Academy")	Domestic Shares	1,173,050	0.01	Domestic Shares	1,173,050	0.02
Sub-total	Domestic Shares	3,613,305,981	42.84	Domestic Shares	3,613,305,981	47.59
Independent Domestic Shareholders						
Corporation controlled by Taishan Finance	Domestic Shares	263,318,181	3.12	Domestic Shares	263,318,181	3.47
Sub-total of Domestic Shareholders	Domestic Shares	3,876,624,162	45.96	Domestic Shares	3,876,624,162	51.06
Sub-total of CNBM Parent Concert Group	H Shares and Domestic Shares	3,797,269,981	45.02	H Shares and Domestic Shares	3,797,269,981	50.01
Total		8,434,770,662	100.00		7,593,021,358	100.00

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Notes:

1. Morgan Stanley is the financial adviser to the Company in connection with the Offer. Accordingly, the relevant members of the Morgan Stanley Concert Group which hold Shares on an own account basis or manage Shares on a discretionary basis are presumed to be acting in concert with the Company in accordance with class (5) of the definition of “acting in concert” under the Takeovers Code.

As at the Latest Practicable Date, Morgan Stanley and the relevant members of the Morgan Stanley Concert Group did not own, control, or have direction over any Shares of the Company.

Notwithstanding that connected exempt principal traders within the Morgan Stanley group are not acting in concert with the Company:

- (a) Shares held by any such connected exempt principal traders will not be voted at the EGM and the H Shareholders’ Class Meeting on the resolutions in respect of the Offer and the Whitewash Waiver (as applicable) in accordance with the requirement of Rule 35.4 of the Takeovers Code, and the Shares held by any member of the Morgan Stanley group in the capacity of an exempt principal trader for and on behalf of non-discretionary investment clients will not be voted at the EGM and the H Shareholders’ Class Meeting on the resolutions in respect of the Offer and the Whitewash Waiver (as applicable) unless otherwise confirmed with the Executive.
 - (b) Shares held by such exempt principal traders may, subject to consent of the Executive, be allowed to be voted at the EGM and the H Shareholders’ Class Meeting on the resolutions in respect of the Offer and the Whitewash Waiver (as applicable) if: (a) the relevant connected exempt principal trader holds the relevant Shares as a simple custodian for and on behalf of non-discretionary clients; (b) there are contractual arrangements in place between the relevant connected exempt principal trader and its client that strictly prohibit such member of the Morgan Stanley group from exercising any discretion over the relevant Shares; (c) all instructions should originate from such non-discretionary client only (if no instructions are given, then no action should be taken on the relevant Shares held by the relevant connected exempt principal trader); and (d) such non-discretionary client is not a party acting in concert with the Company and is an Independent Shareholder.
2. Sinoma Investment is wholly-owned by China Testing & Certification International Group Co., Ltd., which in turn is a subsidiary of Building Materials Academy.
3. Of the 3,613,305,981 Domestic Shares held by CNBM Parent Concert Group, 628,592,008 Domestic Shares are directly held by CNBM Parent, the remaining 2,984,713,973 Domestic Shares are deemed corporate interests indirectly held through BNBMG, Sinoma Parent, CNBM United Investment and Building Materials Academy. Sinoma Parent, CNBM United Investment and Building Materials Academy are wholly-owned subsidiaries of CNBM Parent. BNBMG is a subsidiary of CNBM Parent which directly and indirectly holds 100% of its equity interests, of which 70.04% is directly held, 15.34% is indirectly held through CNBM United Investment and 14.62% is indirectly held through China National Building Material Import and Export Co., Ltd. Under the SFO, CNBM Parent is deemed to own the Shares directly held by BNBMG (1,485,566,956 Domestic Shares), Sinoma Parent (1,270,254,437 Domestic Shares), CNBM United Investment (227,719,530 Domestic Shares) and Building Materials Academy (1,173,050 Domestic Shares).
4. Percentages may not add up to 100% due to rounding.

Assuming that (i) all the H Shares (other than the H Shares held by CNBM Parent Concert Group) will be tendered under the Offer; and (ii) there will be no other change in the issued share capital of the Company from the Latest Practicable Date up to and including the date of completion of the Offer, over 25% of the issued Shares will be held by public Shareholders and accordingly the Company will comply with the public float requirement under Rule 8.08 of the Listing Rules after completion of the Offer.

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As at the Latest Practicable Date, save as disclosed above, neither the CNBM Parent Concert Group, nor the Company nor parties acting in concert with the Company held, owned, controlled or had direction over any Shares, outstanding options, derivatives, warrants or securities which were convertible or exchangeable into Shares, or had entered into any outstanding derivatives in respect of securities in the Company.

The members of the CNBM Parent Concert Group do not intend to tender their H Shares for acceptance under the Offer.

DEALINGS IN SHARES

The Company will not conduct any on-market share buy-back from the Latest Practicable Date up to and including the date on which the Offer closes, lapses or is withdrawn, as the case may be. CNBM Parent has confirmed (for itself and on behalf of parties acting in concert with it) that there has been no dealings in the securities in the Company by CNBM Parent Concert Group during the Relevant Period.

OTHER ARRANGEMENTS

As at the Latest Practicable Date, there was no arrangement referred to in Note 8 to Rule 22 of the Takeovers Code (whether by way of option, indemnity or otherwise) in relation to the Shares and relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) of the Company which might be material to the Offer or the Whitewash Waiver.

There is no agreement or arrangement, to which the Company or CNBM Parent is a party, which relates to circumstances in which it may or may not invoke or seek to invoke a Condition to the Offer or the Whitewash Waiver (save as those set out in the section headed “CONDITIONS TO THE OFFER” in the “Letter from Morgan Stanley” in this Offer Document).

Neither the Company nor its concert parties, nor the CNBM Parent Concert Group, has borrowed or lent any relevant securities (as defined in Note 4 to Rule 22 of the Takeovers Code) in the Company as at the Latest Practicable Date.

As at the Latest Practicable Date, there was no understanding, arrangement, agreement or special deal between (i) any Shareholder of the Company and (ii) either (a) the Company, its subsidiaries or its associated companies; or (b) CNBM Parent Concert Group.

As at the Latest Practicable Date and save for the Offer Price payable under the Offer, there was no consideration, compensation or benefit in whatever form paid or to be paid by the Company, its concert parties or the CNBM Parent Concert Group to any Shareholder in connection with the Offer or the Whitewash Waiver.

INFORMATION ON THE COMPANY

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

LETTER FROM THE BOARD

FINANCIAL INFORMATION OF THE GROUP

Set out below is a summary of the consolidated financial results of the Group for (i) the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 as extracted from the annual reports of the Company for the two years ended 31 December 2022 and 2023 and the interim report of the Company for the six months ended 30 June 2024, respectively (prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board) and (ii) the nine months ended 30 September 2024 as extracted from the announcement of the Company dated 25 October 2024 (prepared in accordance with PRC GAAP) which was published in accordance with the relevant PRC regulations during the term of certain super short-term commercial paper and medium-term debenture issued by the Company:

- (i) For the two years ended 31 December 2022 and 2023 and the six months ended 30 June 2024 (prepared in accordance with IFRS Accounting Standards):

	For the year ended 31 December		Six months ended
	2022	2023	30 June
	RMB'000	RMB'000	2024
	(Audited)	(Audited)	(Unaudited)
Revenue	233,879,825	210,216,434	83,470,594
Profit/(Loss) before tax	18,009,599	12,519,922	327,196
Profit/(Loss) after tax	15,403,268	10,400,650	(292,353)

- (ii) For the nine months ended 30 September 2024 (prepared in accordance with PRC GAAP):

	Nine months ended
	30 September
	2024
	RMB'000
	(Unaudited)
Operating revenue	134,233,570
Total profit/(Loss) before income tax	2,994,985
Net profit/(Loss) after income tax	1,912,104

The consolidated net assets of the Company (i) as at 31 December 2023 and 30 June 2024 were approximately RMB193,514 million (audited) and RMB189,762 million (unaudited), respectively (prepared in accordance with IFRS Accounting Standards issued by the International Accounting Standards Board) and (ii) as at 30 September 2024 were approximately RMB190,788 million (unaudited) (prepared in accordance with PRC GAAP).

LETTER FROM THE BOARD

PROFIT FORECASTS

References are made to the SST Announcement dated 15 January 2025 and Tianshan Materials Announcement dated 16 January 2025. It is noted that the Sinoma Science & Technology Results Forecast contained in the SST Announcement and the Tianshan Materials Results Forecast contained in the Tianshan Materials Announcement constitute profit forecasts under Rule 10 of the Takeovers Code and shall be reported on by the Independent Financial Adviser and the auditor of the Company in accordance with the requirements under Rule 10 of the Takeovers Code. The Sinoma Science & Technology Results Forecast and the Tianshan Materials Results Forecast have been reported on by Moore CPA Limited, the auditor of the Company, and Gram Capital, the Independent Financial Adviser, which reports have been included in this Offer Document.

Reference is also made to the statement under the section headed “IV. MATERIAL CHANGE” of Appendix II to this circular that the Group’s net profit for the year ended 31 December 2024 was substantially lower than that for the year ended 31 December 2023. (the “**Estimated Profit Statement**”), which statement has been made based on the Group’s unaudited consolidated management accounts for the year ended 31 December 2024 and the Group’s audited annual consolidated financial statements for the year ended 31 December 2023. The Estimated Profit Statement constitutes a profit forecast under Rule 10 of the Takeovers Code, and is required to be reported on by the Independent Financial Adviser and the auditor of the Company in accordance with the requirements under Rule 10 of the Takeovers Code.

Please refer to Appendix V headed “PROFIT FORECASTS AND REPORTS THEREON” to this Offer Document for the above-mentioned profit forecasts and relevant reports thereon.

FINANCIAL EFFECTS OF THE OFFER

The unaudited pro forma financial information of the Group upon completion of the Offer, illustrating the financial impact of the Offer on the earnings per Share, net assets per Share, total liabilities and working capital (expressed as net current assets/(liabilities)) of the Group, is set out in Appendix III to this Offer Document.

Earnings per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 1 January 2023 and the Maximum Number had been bought-back under the Offer, the basic earnings per Share for the year ended 31 December 2023 would, as a result, have increased by approximately 11.14% from RMB0.458 per Share to RMB0.509 per Share.

Net assets per Share

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 31 December 2023 and the Maximum Number had been bought-back under the Offer, the net assets per Share as at 31 December 2023 would, as a result, have increased by approximately 9.29% from RMB22.94 per Share to RMB25.07 per Share.

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Total liabilities

The Offer will be paid in cash and funded by internal cash resources of the Group. The total liabilities of the Group as at 31 December 2023 would remain unchanged at approximately RMB295,384 million following completion of the Offer.

Working capital

Based on the unaudited pro forma financial information of the Group set out in Appendix III to this Offer Document and assuming that full acceptance of the Offer was completed on 31 December 2023 and the Maximum Number had been bought-back under the Offer, the working capital (expressed as net current liabilities) of the Group as at 31 December 2023 would, as a result, have increased by approximately 11.16% from net current liabilities of approximately RMB28,291.41 million to net current liabilities of approximately RMB31,447.85 million.

After taking into consideration, among others, the working capital requirement of the Group, net cash position of the Group following completion of the Offer, and the uncommitted banking facilities available to the Group, the Directors confirm that the Group will have sufficient working capital to meet its normal operating requirements after completion of the Offer assuming full acceptance of the Offer.

Based on the above and having considered the manner of funding of the consideration for the Offer, the Company considers that completion of the Offer will have no material adverse effect on the Group's earnings per Share, net assets per Share, liabilities or working capital.

FUTURE INTENTIONS OF THE GROUP AND THE CNBM PARENT

It is the intention of the Group and CNBM Parent that the Group will continue to carry on its business, and the Company's listing on the Stock Exchange will be maintained upon completion of the Offer. As at the Latest Practicable Date, the Group and CNBM Parent do not have specific plans: (a) to introduce any major changes to the existing principal business of the Group (including, without limitation, those set out under the section headed "INFORMATION ON THE COMPANY"); (b) to re-deploy the material fixed assets of the Group; (c) to discontinue the employment of the employees of the Group other than in the ordinary course of business of the Group or due to personal performance or conduct issues; or (d) in relation to any intention, understanding, negotiation or arrangement (concluded or otherwise) to downsize, cease or dispose of any of the existing business sectors of the Group following the close of the Offer.

The Company has no intention to exercise any right which may be available to it to acquire compulsorily any H Shares not tendered for acceptance under the Offer.

REASONS FOR THE OFFER

The Offer represents a premium of approximately 15.1% over the closing price of HK\$3.50 of the H Shares as quoted on the Stock Exchange on the Last Trading Day and a premium of approximately 19.5% over approximately HK\$3.37 which is the average closing price per H Share as quoted on the Stock Exchange for the 30 consecutive trading days up to and including the Last Trading Day.

LETTER FROM THE BOARD

The Company believes that the Offer provides an opportunity for the Shareholders either to tender H Shares to realise part of their investments in the Company at a premium to recent market prices, or to increase their proportionate equity interests in the Company by retaining their shareholdings and participating in the future prospects of the Group. Therefore, the Offer provides the Shareholders a mechanism which allows them to decide upon their preferred level of investment in the Company and allows the Shareholders who do not wish to exit from their investments in the Company to enjoy the benefits of enhanced Shareholder value.

The Company is a leading building materials company in the PRC with significant operations in basic building materials, new materials, and engineering technical services businesses. The price of the H Shares has historically been traded at a significant discount to the Group's net asset value per H Share.

The Offer demonstrates the Company's confidence in long-term prospects and intrinsic value, thereby sending positive signals to the market as well as the Company's stakeholders including employees and customers. The Offer will also improve the trading dynamics and refresh the Company's shareholders' structure.

For the Shareholders who may decide to retain their shareholdings in the Company, the Company will continue to strengthen innovation-driven development, accelerate the construction of a modern industrial system, and build up a listed platform which is a global leader in the materials sector. The Offer will also enhance the earnings per Share as well as net asset value per Share upon completion of the Offer.

DIVIDEND

Up to the Latest Practicable Date, the Board had not recommended the payment of dividends for (a) the six months ended 30 June 2024 or (b) the year ended 31 December 2024. For any possible final dividend for the year ended 31 December 2024 as may be declared by the end of March 2025 (the "**Possible 2024 Final Dividend**"), the Accepting Shareholders will not be entitled to such final dividend in respect of the Shares bought-back. Therefore, the Possible 2024 Final Dividend will not be deducted from the Offer Price. Other than the Possible 2024 Final Dividend, the Company does not intend to announce, declare or pay any dividend, distribution or other return of capital before the close of the Offer.

PROPOSED APPOINTMENT OF EXECUTIVE DIRECTOR

Reference is made to the announcement of the Company dated 17 January 2025 in relation to the proposed change of executive Director. Mr. Liu Yan tendered his resignation as executive Director due to work adjustment. The Parent has notified the Company of its proposal to nominate Ms. Miao Xiaoling to replace Mr. Liu Yan as an executive Director. The proposed appointment of Ms. Miao Xiaoling is subject to the approval of the Shareholders by way of ordinary resolution at the EGM.

The biographical details of Ms. Miao Xiaoling as required under Rule 13.51(2) of the Listing Rules are set out below:

Ms. Miao Xiaoling ("**Ms. Miao**"), born in August 1978, is a party committee member, director of the organisation department of the party committee and general manager of the human resources department of CNBM Parent, and a deputy secretary of the party committee of the Company. Ms. Miao has accumulated extensive experience in corporate party building and human resources management. Ms. Miao has been a

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deputy secretary of the party committee of the Company since January 2025 to present, the head of the organisation department of the party committee and the general manager of the human resources department of the CNBM Parent from May 2020 to present, a member of the party committee of the CNBM Parent from December 2018 to present, the director of the party and people work department of the CNBM Parent from September 2018 to May 2020 and from November 2022 to September 2024, and the vice-chairman of the labor union of CNBM Parent from January 2017 to December 2022, and the director of the labor union office of the CNBM Parent from June 2016 to September 2018. Ms. Miao obtained a doctorate degree in national economics from the School of Economics of Renmin University of China in July 2006 and is a researcher. Ms. Miao is also a vice chairman of the human resources branch of China Construction Materials Enterprise Management Association. She was awarded the Outstanding Party Worker of Central State-owned Enterprises for the year 2023, and the Advanced Individual of Central State-owned Enterprises in the Research of Party Building, Ideological and Political Work for the year 2015.

It is proposed that Ms. Miao, if appointed, will not receive any Director's remuneration from the Company during his term of office. Save as disclosed above, as at the date of this circular, Ms. Miao has confirmed that she (i) did not assume other offices in any member of the Group; (ii) was not related to any directors, supervisors, senior management, substantial shareholders or controlling shareholders of the Company or other members of the Group; (iii) did not have any interests in shares of the Company within the meaning of Part XV of the SFO; and (iv) did not hold any other directorships or other major appointments and qualifications in any listed companies in the past three years. Save as disclosed above, as at the Latest Practicable Date, there is no information which is discloseable, nor is the Company aware that Ms. Miao is/was involved in any of the matters required to be disclosed, pursuant to Rules 13.51(2)(h) to 13.51(2)(v) of the Listing Rules and there is no other matter that needs to be brought to the attention of the Shareholders.

EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting

The EGM will be convened and held for the purposes of considering and, if thought fit, approving the Offer, the reduction of the registered capital of the Company and relevant arrangements, the Whitewash Waiver and the Proposed Appointment. The H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting will be convened and held for the purposes of considering and, if thought fit, approving matters relating to the Offer, the reduction of the registered capital of the Company and relevant arrangements. Notices convening the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting are set out on pages EGM-1 to DSCM-3 of this Offer Document. Shareholders are advised to read the notices and to complete and return the enclosed forms of proxy for use at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting in accordance with the instructions printed thereon.

Forms of proxy are enclosed with this Offer Document for use at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. Whether or not you are able to attend the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting, please complete and return the enclosed forms of proxy for use at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting in accordance with the instructions printed thereon as soon as practicable and in any event not less than 24 hours before the time appointed for the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting or any adjournment thereof (as the case may be).

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Completion and return of the forms of proxy will not preclude you from attending and voting in person at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting or any adjourned meeting if you so wish and in such event, the forms of proxy shall be deemed to be revoked.

Pursuant to Rule 2.9 of the Takeovers Code, any matter required by the Codes to be approved by shareholders in general meeting must be conducted by way of a poll. Under Rule 13.39(4) of the Listing Rules, any vote of shareholders at a general meeting must be taken by poll (except where the chairman of the meeting, in good faith, decides to allow a resolution which relates purely to a procedural or administrative matter to be voted on by a show of hands). Accordingly, the resolutions to be proposed at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting as set out in the respective notices shall be voted by poll.

The Independent Board Committee, comprising all the non-executive Directors (except Mr. Wang Yumeng who is a deputy general manager of CNBM Parent), namely Mr. Shen Yungang and Mr. Chen Shaolong, and all the independent non-executive Directors, namely Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue, who have no direct or indirect interest in the Offer or the Whitewash Waiver, has been formed to advise the Independent Shareholders in respect of the Offer and the Whitewash Waiver.

At the approval by the Independent Board Committee, Gram Capital has been appointed to advise the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable so far as the Independent Shareholders are concerned, whether the Offer and the Whitewash Waiver are in the interests of the Company and the Shareholders as a whole, and as to acceptance and voting for or against the Offer and the Whitewash Waiver. The Independent Shareholders should note that even if he/she/it votes in favour of or against the resolutions to be proposed at the EGM, the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting, he/she/it is free nonetheless to accept or not to accept the Offer.

GENERAL

As Mr. Zhou Yuxian is the chairman of the board of CNBM Parent, Mr. Wei Rushan is a deputy general manager of CNBM Parent and Mr. Wang Yumeng is a deputy general manager of CNBM Parent, each of Mr. Zhou Yuxian, Mr. Wei Rushan and Mr. Wang Yumeng has abstained from voting on the board resolutions of the Company in respect of the Offer.

The CNBM Parent Concert Group will abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the EGM. Save as provided in Note 1 to the section headed "CHANGES IN SHAREHOLDING STRUCTURES" above, no Shareholder, other than the members of the CNBM Parent Concert Group, is required to abstain from voting on the resolutions in respect of the Offer and the Whitewash Waiver to be proposed at the EGM. Save as provided in Note 1 to the section headed "CHANGES IN SHAREHOLDING STRUCTURES" above, no Shareholder is required to abstain from voting on the resolutions in respect of the Offer to be proposed at the H Shareholders' Class Meeting and the Domestic Shareholders' Class Meeting. To the extent that the Company is aware having made all reasonable enquires, no Shareholder is required to abstain from voting on the ordinary resolution for approving the Proposed Appointment at the EGM.

LETTER FROM THE BOARD

RECOMMENDATION

Your attention is drawn to the “Letter from the Independent Board Committee” as set out on pages 34 to 35 of this Offer Document. Your attention is also drawn to the letter of advice from Gram Capital which contains, among other things, its advice to the Independent Board Committee as to whether the Offer and the Whitewash Waiver are fair and reasonable and as to acceptance and voting, and the principal factors and reasons considered by it in arriving at such advice. The text of the “Letter from Gram Capital” is set out on pages 36 to 59 of this Offer Document.

Taking into account the “Letter from the Independent Board Committee” and all other factors as stated under the section headed “REASONS FOR THE OFFER” above as a whole, the Board is of the opinion that the terms of the Offer and the Whitewash Waiver are on balance fair and reasonable and in the interest of the Company and the Shareholders as a whole. The Board therefore recommends the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM approving the Offer and the Whitewash Waiver.

The Directors consider that the Proposed Appointment is in the best interests of the Company and its Shareholders as a whole. Accordingly, the Directors recommend Shareholders to vote in favour of the relevant resolution in respect of the Proposed Appointment set out in the notice of the EGM.

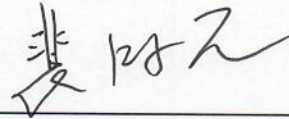
Your attention is also drawn to the principal terms of the Offer as set out in Appendix I to this Offer Document, and the general information as set out in Appendix IV to this Offer Document.

Shareholders and potential investors should note that the Offer is subject to all of the Conditions being fulfilled in full and, therefore, may or may not become unconditional and the Offer may or may not proceed. Shareholders and potential investors are advised to exercise caution when dealing in the Shares. The Company will publish an announcement on or about 19 February 2025 to inform the Shareholders as to whether or not the Offer has become unconditional.

Yours faithfully,
By Order of the Board
China National Building Material Company Limited*
Pei Hongyan
Secretary of the Board

* *For identification purposes only*

Yours faithfully,
By Order of the Board
China National Building Material Company Limited*

A handwritten signature in black ink, consisting of stylized Chinese characters, positioned above a horizontal line.

Pei Hongyan
Secretary of the Board

** For identification purposes only*