

26 September 2025

*To: The independent board committee and the independent shareholders of China National Building Material Company Limited**

Dear Sir/Madam,

CONTINUING CONNECTED TRANSACTIONS AND MAJOR TRANSACTION

INTRODUCTION

We refer to our appointment as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in respect of the Non-Exempt Continuing Connected Transactions, details of which are set out in the letter from the Board (the “**Board Letter**”) contained in the circular dated 26 September 2025 issued by the Company to the Shareholders (the “**Circular**”), of which this letter forms part. Terms used in this letter shall have the same meanings as defined in the Circular unless the context requires otherwise.

With reference to the Board Letter, the Original Master Agreements and Original Financial Services Framework Agreement governing respective continuing connected transactions thereunder will expire on 31 December 2025. As the Group intends to continue to conduct such continuing connected transactions, on 28 August 2025, (i) the Company and the Parent entered into the Master Agreement on Mutual Provision of Products and Services with a term of three years commencing from 1 January 2026, pursuant to which the Parent Group and the Group has agreed to provide each other with certain products and services (the “**Mutual Provision of Products and Services**”); (ii) the Company and the Parent entered into the Master Agreement on Mutual Provision of Engineering Services with a term of three years commencing from 1 January 2026, pursuant to which, among other things, the Parent Group has agreed to provide the Group with certain engineering services, including engineering design, construction and supervisory services (the “**Procurement of Engineering Services**”); and (iii) the Company and the Finance Company entered into the Financial Services Framework Agreement with a term of three years commencing from 1 January 2026, pursuant to which the Finance Company has agreed to provide the Group with, among other things, deposit services on a non-exclusive basis subject to the terms and conditions therein (the “**Deposit Services**”).

With reference to the Board Letter, the Non-Exempted Continuing Connected Transactions constitute continuing connected transactions of the Company and are subject to the reporting, announcement, annual review and Independent Shareholders' approval requirements under Chapter 14A of the Listing Rules. The Deposit Services also constitute a major transaction of the Company under Chapter 14 of the Listing Rules.

The Independent Board Committee comprising Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue (all being independent non-executive Directors) has been established to advise the Independent Shareholders on (i) whether the terms of the Non-Exempted Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; (ii) whether the Non-Exempted Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group; and (iii) how the Independent Shareholders should vote in respect of the resolutions to approve the Non-Exempted Continuing Connected Transactions at the EGM. We, Gram Capital Limited, have been appointed as the Independent Financial Adviser to advise the Independent Board Committee and the Independent Shareholders in this respect.

INDEPENDENCE

During the past two years immediately preceding the Latest Practicable Date, Gram Capital was engaged as the independent financial adviser to the independent board committee of the Company in relation to a conditional cash offer to buy-back H Shares and whitewash waiver (details of which are set out in the Company's offer document dated 27 January 2025) (the "Previous Engagement"). Save for the Previous Engagement, there was no other service provided by Gram Capital to the Company with executed agreement during the past two years immediately preceding the Latest Practicable Date.

Notwithstanding the Previous Engagement, as at the Latest Practicable Date, we were not aware of any relationships or interests between Gram Capital and the Company or any other parties that could be reasonably regarded as hindrance to Gram Capital's independence to act as the Independent Financial Adviser.

Having considered that the Past Engagement was an independent financial advisory engagement and that none of the circumstances as set out under Rule 13.84 of the Listing Rules existed as at the Latest Practicable Date, we are of the view that we are independent to act as the Independent Financial Adviser.

BASIS OF OUR OPINION

In formulating our opinion to the Independent Board Committee and the Independent Shareholders, we have relied on the statements, information, opinions and representations contained or referred to in the Circular and the information and representations as provided to us by the Directors. We have assumed that all information and representations that have been provided by the Directors, for which they are solely and wholly responsible, are true and accurate at the time when they were made and continue to be so as at the Latest Practicable Date. We have also assumed that all statements of belief, opinion, expectation and intention made by the Directors in the Circular were reasonably made after due enquiry and careful consideration. We have no reason to suspect that any material facts or information have been withheld or to doubt the truth, accuracy and completeness of the information and facts contained in the Circular, or the reasonableness of the opinions expressed by the Company, its advisers and/or the Directors, which have been provided to us. Our opinion is based on the Directors' representation and confirmation that there are no

undisclosed private agreements/arrangements or implied understanding with anyone concerning the Non-Exempted Continuing Connected Transactions. We consider that we have taken sufficient and necessary steps on which to form a reasonable basis and an informed view for our opinion in compliance with Rule 13.80 of the Listing Rules.

The Circular, for which the Directors collectively and individually accept full responsibility, includes particulars given in compliance with the Listing Rules for the purpose of giving information with regard to the Company. The Directors, having made all reasonable enquiries, confirm that to the best of their knowledge and belief the information contained in the Circular is accurate and complete in all material respects and not misleading or deceptive, and there are no other matters the omission of which would make any statement therein or the Circular misleading. We, as the Independent Financial Adviser, take no responsibility for the contents of any part of the Circular, save and except for this letter of advice.

We consider that we have been provided with sufficient information to reach an informed view and to provide a reasonable basis for our opinion. We have not, however, conducted any independent in-depth investigation into the business and affairs of the Company, the Parent, the Finance Company and each of their respective subsidiaries or associates, nor have we considered the taxation implication on the Group or the Shareholders as a result of the Non-Exempted Continuing Connected Transactions. Our opinion is necessarily based on the financial, economic, market and other conditions in effect and the information made available to us as at the Latest Practicable Date. Shareholders should note that subsequent developments (including any material change in market and economic conditions) may affect and/or change our opinion and we have no obligation to update this opinion to take into account events occurring after the Latest Practicable Date or to update, revise or reaffirm our opinion. In addition, nothing contained in this letter should be construed as a recommendation to hold, sell or buy any Shares or any other securities of the Company.

Lastly, where information in this letter has been extracted from published or otherwise publicly available sources, it is the responsibility of Gram Capital to ensure that such information has been correctly extracted from the relevant sources.

PRINCIPAL FACTORS AND REASONS CONSIDERED

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

1. Background of and reasons for the Non-Exempted Continuing Connected Transactions

Information on the Company

With reference to the Board Letter, the Company is a leading building materials company in the PRC with significant operations in the basic building materials, new materials and engineering technology services businesses.

Information on the Parent

With reference to the Board Letter, the Parent is a state-owned limited liability company, which is principally engaged in nonmetallic materials manufacturing and capital investment. Its ultimate beneficial owner is the State-owned Assets Supervision and Administration Commission of the State Council.

Information on the Finance Company

With reference to the Board Letter:

- (i) Finance Company, a limited liability company incorporated under the laws of the PRC, was established in the PRC as a non-banking financial institution in April 2013. It is licensed by the original China Banking and Insurance Regulatory Commission (incorporated into the NFRA on 18 May 2023) and regulated by the NFRA and is engaged in the provision of financial services which principally include acceptance of deposits, loans, bills acceptance and discounting services and clearing and settlement services.
- (ii) The Finance Company has a registered capital of RMB4,721 million and is a 77.93%-held subsidiary of the Parent, and the other 22.07% of the equity interests is held by the Company.
- (iii) For the six months ended 30 June 2025, Finance Company has a capital adequacy ratio of approximately 21.46% (the regulatory requirement is not lower than 10.5%), and has a non-performing asset ratio of 0%.

Reasons for and benefits of the Transactions

(i) The Mutual Provision of Products and Services

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

We discussed with the Directors and noted that the Group has been conducting Mutual Provision of Products and Services with the Parent Group before the Group's listing on the Stock Exchange in 2006. Hence, the Group and the Parent Group has been familiar with the

operation requirements and the demands of each other. As advised by the Directors, the Parent Group is able to provide the products and services based on different demands to the Group on terms not less favourable than those provided to the independent third parties, or vice versa.

With reference to the Board Letter, the Mutual Provision of Products and Services are carried out in the ordinary and usual course of business of the Group. As also confirmed by the Directors, the Mutual Provision of Products and Services are conducted on a frequent basis. Therefore, the Directors consider that it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Accordingly, the Directors are of the view that entering into of the Master Agreement on Mutual Provision of Products and Services to govern the Mutual Provision of Products and Services will be beneficial to the Company and the Shareholders as a whole.

In light of the above factors, we consider that the Mutual Provision of Products and Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

(ii) *The Procurement of Engineering Services*

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

With reference to the Board Letter, the Procurement of Engineering Services are conducted in the ordinary and usual course of business of the Company. As also confirmed by the Directors, the Procurement of Engineering Services are conducted on a frequent basis. Therefore, the Directors consider that it would be costly and impractical to make regular disclosure of each of the relevant transactions and obtain the prior approval from the Independent Shareholders, as required by the Listing Rules. Accordingly, the Directors are of the view that entering into of the Master Agreement on Mutual Provision of Engineering Services to govern the Procurement of Engineering Services will be beneficial to the Company and the Shareholders as a whole.

In light of the above factors, we consider that the Procurement of Engineering Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

(iii) *Deposit Services*

With reference to the Board Letter:

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

In light of the above factors, we consider that the Deposit Services are conducted in the ordinary and usual course of business of the Group and are in the interests of the Company and the Shareholders as a whole.

2. Principal terms of the Non-Exempted Continuing Connected Transactions

A. *The Mutual Provision of Products and Services*

Summarised below are the major terms of the Mutual Provision of Products and Services as contemplated under the Master Agreement on Mutual Provision of Products and Services, details of which are set out under the section headed "2. The Master Agreement on Mutual Provision of Products and Services" of the Board Letter:

Date

28 August 2025

Parties

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

Effective period

The Master Agreement on Mutual Provision of Products and Services will become effective from 1 January 2026 after having been signed by legal representatives or authorised representatives of both parties and stamped. The term of the Master Agreement on Mutual Provision of Products and Services is from 1 January 2026 to 31 December 2028.

Principal terms

The Parent Group has agreed to provide the Group with certain products and services. These products include raw materials and commodities (including grinding aid, spare parts, refractory materials, coal, carbon fibre, pultruded products, etc.). The services include repair, design and installation of equipment, property management services, technology services, warehouse leasing services, logistics and supply chain services and others.

The Group has agreed to provide the Parent Group with certain products and services. These products include raw materials and commodities (including clinker, cement, lightweight building materials, glass fibre and its products, alternative fuel products, etc.). The services include the supply of water, electricity and steam services, mining, operations and maintenance services, warehouse leasing services, logistics and supply chain services and others.

Basis of pricing

The prices of the products and services to be purchased or supplied by the Group shall be based on the following priorities as set out under the sub-section headed “(2) Basis of Pricing” of the section headed “2. The Master Agreement on Mutual Provision of Products and Services” of the Board Letter.

For our due diligence purpose, we obtained a list of all individual transactions regarding the purchase of products and services by the Group from the Parent Group under the Mutual Provision of Products and Services (the “**Purchase of Products and Services**”) for the two years ended 31 December 2024 and the six months ended 30 June 2025 (“**1H2025**”) from the Company, and randomly selected one individual transaction during each of the two years ended 31 December 2024 and 1H2025 (three individual transactions in total) from the list (the “**Selected Purchase of Products and Services Transactions**”). As the sampling was conducted on a random selection basis and the sampling period covered two and a half financial years of the Company, we consider such sampling to be sufficient from independent financial adviser’s perspective. The Company provided us with corresponding documents (including the relevant agreements, invoices, bidding documents, internal approval records) for the Selected Purchase of Products and Services Transactions which demonstrated that the prices of the products/services purchased by the Group from the Parent Group were not higher than those offered by independent third parties.

For our due diligence purpose, we obtained a list of all individual transactions regarding the provision of products and services by the Group to the Parent Group under the Mutual Provision of Products and Services (the “**Provision of Products and Services**”) for the two

years ended 31 December 2024 and 1H2025 from the Company, and randomly selected one individual transaction during each of the two years ended 31 December 2024 and 1H2025 (three individual transactions in total) from the list (the “**Selected Provision of Products and Services Transactions**”). As the sampling was conducted on a random selection basis and the sampling period covered two and a half financial years of the Company, we consider such sampling to be sufficient from independent financial adviser’s perspective. The Company provided us with corresponding documents (including the relevant agreements, invoices, bidding documents, internal approval records and comparable agreements and invoices for similar products/services to independent third parties) for the Selected Provision of Products and Services Transactions which demonstrated that the prices of products/services provided by the Group to the Parent Group were not lower than those provided by the Group to independent third parties.

With reference to the Board Letter, the Group has internal control mechanism in place to ensure the individual transactions are conducted within the Master Agreement on Mutual Provision of Products and Services. Details of the internal control mechanism are set out under the sub-section headed “(2) Basis of Pricing” of the section headed “2. The Master Agreement on Mutual Provision of Products and Services” of the Board Letter. We consider that implementation of the above internal control mechanism would ensure fair pricing of the Mutual Provision of Products and Services.

With reference to the Company’s annual report for the year ended 31 December 2024 (“FY2024”) (the “**Company 2024 Annual Report**”), the independent non-executive Directors have reviewed, among other things, the continuing connected transactions (including the Mutual Provision of Products and Services) for FY2024 and confirmed that such continuing connected transactions were conducted (i) in the ordinary and usual course of business of the Group; (ii) either on normal commercial terms, or, if there are not sufficient comparable transactions to judge whether they are on normal commercial terms, on terms no less favourable to the Group than terms available to or from (as appropriate) independent third parties; and (iii) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders of the Company as a whole (the “**INEDs Confirmation**”).

With reference to the Company 2024 Annual Report, the Company’s auditors were also engaged to report on the Group’s continuing connected transactions (including the Mutual Provision of Products and Services) for FY2024 in accordance with Hong Kong Standard on Assurance Engagements No. 3000 “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice No. 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The Company’s auditors have reviewed among other things, the continuing connected transactions (including the Mutual Provision of Products and Services) for FY2024 and reported to the Board that: (1) nothing has come to their attention that causes them to believe that the transactions have not been approved by the Board; (2) nothing has come to their attention that causes them to believe that the transactions involving provision of goods or services were not conducted, in all material respects, in accordance with the pricing policy of the Group; (3) nothing has come to their attention that

causes them to believe that the transactions were not conducted, in all material respects, in accordance with the terms of the agreement governing it; and (4) nothing has come to their attention that causes them to believe that the values of continuing connected transactions entered between the Group and its connected persons which were subject to annual caps have exceeded their respective annual caps (the “Auditor Confirmation”).

Purchase of Products and Services Caps

Set out below are (i) the historical amounts of the Purchase of Products and Services for the two years ended 31 December 2024 and 1H2025” with existing annual caps; and (ii) the proposed annual caps of the Purchase of Products and Services for the three years ending 31 December 2028 (the “Purchase of Products and Services Cap(s)”):

	For the year ended 31 December 2023 ("FY2023") RMB' million	For the year ended 31 December 2024 RMB' million	For the year ending 31 December 2025 ("FY2025") RMB' million
Historical amounts	11,422.078	9,956.297	3,842.766 (Note)
Existing annual caps	14,753.794	15,444.541	16,489.793
Utilization rate (%)	77	64	N/A
	For the year ending 31 December 2026 ("FY2026") RMB' million	For the year ending 31 December 2027 ("FY2027") RMB' million	For the year ending 31 December 2028 ("FY2028") RMB' million
Purchase of Products and Services Caps	15,300.760	16,232.896	18,305.538

Note: The figure was for 1H2025.

With reference to the Board Letter, the Purchase of Products and Services Caps are determined based on: (i) the actual transaction amounts for the two years ended 31 December 2024 and 1H2025 and the estimated transaction amount for the last six months ending 31 December 2025; (ii) the anticipated growing business needs for procurement of engineering spare parts products, mining services, operations and maintenance services, alternative fuel products and distributed control system renovation services from Sinoma International, a Connected Subsidiary (approximately 15.60% of its shares are held by Building Materials Academy, a subsidiary of the Parent) and the expected transaction amount for procurement of products and services from Sinoma International (the “Purchase of Products and Services from Sinoma International”) over the next three years amounted to approximately RMB5.85 billion, RMB6.80 billion and RMB8.43 billion respectively; (iii) the Group anticipated that the needs for procurement of logistics services from Saima IOT, a Connected Subsidiary (10% of its shares are held by CNBM United Investment Co., Ltd., a subsidiary of the Parent) (the “Purchase of Products and Services from Saima IOT”), will further grow and the expected

transaction amount for procurement of logistics services from Saima IOT over the next three years amounted to approximately RMB6.00 billion, RMB6.00 billion and RMB6.00 billion respectively; and (iv) the Group's demand for raw materials required for production, equipment, technology services, logistics services and procurement of property management services in the future is anticipated to grow.

Anticipated Growth and industry overview

We noted that the utilization rates of the existing annual caps for FY2023 and FY2024 were approximately 77% and 64% respectively. As advised by the Directors, having considered such utilization rates, as balanced by anticipated growth in the Group's business needs and demand for procurement as aforementioned (the "Anticipated Growth"), the Company set (i) the Purchase of Products and Services Cap for FY2026 lower than those for FY2024 and FY2025; and (ii) the Purchase of Products and Services Caps for FY2027 and FY2028 with increase of approximately 6% and 13% respectively.

With reference to the Company 2024 Annual Report, the Group's revenue continuously decreased from approximately RMB276 billion for the year ended 31 December 2021 to approximately RMB181 billion for FY2024. With reference to the Company's interim report for 1H2025 (the "Company 2025 Interim Report"), the Group's revenue for 1H2025 only decreased by approximately 0.2% as compared to that for the six months ended 30 June 2024. As advised by the Directors, the above circumstances may indicate the sign of stability or recovery of the Group's business operation.

As the Group principally engaged in the production and sale of building materials, we searched for certain relevant indicators in the PRC as summarised below.

Set out below are the year-on-year change in (i) total investment in fixed assets in the PRC (excluding rural households); and (ii) infrastructure investment (excluding power, heat, gas and water production and supply industries) of the PRC for 2020, 2021, 2022, 2023 and 2024, as published by the National Bureau of Statistics of the PRC:

	2020	2021	2022	2023	2024
Year-on-year change in total investment in fixed assets in the PRC (excluding rural households) (%)	2.9	4.9	5.1	3	3.2
Year-on-year change in infrastructure investment (excluding power, heat, gas and water production and supply industries) (%)	0.9	0.4	9.4	5.9	4.4

According to the table above, the total investment in fixed assets in the PRC (excluding rural households) and the infrastructure investment (excluding power, heat, gas and water production and supply industries) of the PRC increased continuously for the last five years from 2020 to 2024, representing average year-on-year increase of approximately 3.8% and 4.2% respectively.

In addition, we also summarised the policies regarding the building material industry as issued by the PRC government in recent years as below:

On 22 August 2023, the Ministry of Industry and Information Technology of the PRC, the National Development and Reform Commission of the PRC, the Ministry of Finance of the PRC, the Ministry of Natural Resources of the PRC, the Ministry of Ecology and Environment of the PRC, the Ministry of Housing and Urban-Rural Development of the PRC, the Ministry of Commerce of the PRC and the National Financial Regulatory Administration of the PRC jointly issued an article titled “Stable Growth Work Plan for the Building Materials Industry*” (《建材行業穩增長工作方案》), which stated that the PRC government should support optimizing production capacity layout for special cement, quick-setting materials, etc., enhance material supply capability under emergency conditions, encourage the use of bulk cement, pre-mixed concrete, pre-mixed mortar products for different application areas such as agricultural buildings and infrastructure, and support the implementation of typical demonstrations of green construction solutions.

On 19 January 2024, the Ministry of Ecology and Environment of the PRC, the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Finance of the PRC and the Ministry of Transport of the PRC jointly published an article titled “Opinions on Advancing the Implementation of Ultra-Low Emissions in the Cement Industry*” (《關於推進實施水泥行業超低排放的意見》), which stated that the PRC government should promote the implementation of ultra-low emissions in the cement industry, enhance the comprehensive atmospheric pollution control level throughout all processes of the cement industry, drive the industry’s green and low-carbon transformation and upgrade, and increase support for cement enterprises that meet the requirements for ultra-low emissions transformation.

On 27 May 2024, the National Development and Reform Commission of the PRC, the Ministry of Industry and Information Technology of the PRC, the Ministry of Ecology and Environment of the PRC, the State Administration for Market Regulation of the PRC and the National Energy Administration of the PRC jointly issued the “Special Action Plan for Energy Conservation and Carbon Reduction in the Cement Industry*” (《水泥行業節能降碳專項行動計劃》), which stated that the PRC clinker production capacity of cement will be controlled at around 1.8 billion tons by the end of 2025, with the proportion of capacity exceeding the energy efficiency benchmark reaching 30%, and the PRC cement industry’s production capacity layout will be further optimized by the end of 2030, the proportion of capacity exceeding the energy efficiency benchmark will increase significantly, and overall efficiency will reach international advanced levels.

Having considered the generally positive industry overview and supportive governmental policies as set out above and that the slight year-on-year decrease in the Group's revenue for 1H2025 (in contrast to the continuous decrease in the Group's revenue from FY2021 to FY2024) may indicate the sign of stability or recovery of the Group's business operation, we consider the Anticipated Growth to be reasonable.

Major coverages of the Purchase of Products and Services Caps

We noted that major coverages of the Purchase of Products and Services Caps include the expected Purchase of Products and Services from Sinoma International and the expected Purchase of Products and Services from Saima IOT for the three years ending 31 December 2028.

In respect of the expected Purchase of Products and Services from Sinoma International:

- (i) We obtained from the Company a breakdown of the expected Purchase of Products and Services from Sinoma International for the three years ending 31 December 2028 and noted that such expected Purchase of Products and Services from Sinoma International mainly include mining services and alternative fuel products provided to Tianshan Material Co., Ltd. (stock code: SZ000877) ("Tianshan Materials"), a non-wholly owned subsidiary of the Company, for Tianshan Materials' raw materials used in daily production.
- (ii) The Company also provided us (a) a list of individual contracts in respect of the mining services which are continuous in nature, with term ending from 2027 onwards; and (b) Sinoma International's future plan to sell alternative fuel products (including those to Tianshan Materials), which substantiate the expected Purchase of Products and Services from Sinoma International for the three years ending 31 December 2028.

Having considered the above, we do not doubt the expected amount of Purchase of Products and Services from Sinoma International for the three years ending 31 December 2028 as covered by the Purchase of Products and Services Caps.

In respect of the expected Purchase of Products and Services from Saima IOT:

- (i) We obtained from the Company a breakdown of the expected Purchase of Products and Services from Saima IOT for the three years ending 31 December 2028 and noted that such expected Purchase of Products and Services from Saima IOT include logistic services to be procured to support the Group's daily operations (including Tianshan Materials' daily operation).
- (ii) The Company also provided us certain internal memo/notice of Tianshan Materials in 2022 which promoted the use of logistic services to be provided by Saima IOT.

Having considered the above, we do not doubt the expected amount of Purchase of Products and Services from Saima IOT for the three years ending 31 December 2028 as covered by the Purchase of Products and Services Caps.

Having considered the Anticipated Growth and the major coverages of the Purchase of Products and Services Caps as discussed above, we are of the view that the Purchase of Products and Services Caps for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the Purchase of Products and Services Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of cost to be incurred from the Purchase of Products and Services. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Purchase of Products and Services will correspond with the Purchase of Products and Services Caps.

Having considered the principal terms of the Purchase of Products and Services as set out above, we are of the view that the terms of the Purchase of Products and Services (including the Purchase of Products and Services Caps) are on normal commercial terms and are fair and reasonable.

Provision of Products and Services

Set out below are (i) the historical amounts of the Provision of Products and Services for the two years ended 31 December 2024 and 1H2025 with existing annual caps; and (ii) the proposed annual caps of the Provision of Products and Services for the three years ending 31 December 2028 (the "Provision of Products and Services Cap(s)");

	For the year ended 31 December 2023 RMB' million	For the year ended 31 December 2024 RMB' million	For the year ending 31 December 2025 RMB' million
Historical amounts	1,689.381	1,750.163	864.951 (Note)
Existing annual caps	3,091.808	3,348.952	4,379.097
Utilization rate (%)	55	52	N/A
	For the year ending 31 December 2026 RMB' million	For the year ending 31 December 2027 RMB' million	For the year ending 31 December 2028 RMB' million
Provision of Products and Services Caps	2,595.044	2,604.868	3,000.424

Note: the figure was for 1H2025.

With reference to the Board Letter, the Provision of Products and Services Caps are determined based on: (i) the actual transaction amounts for the two years ended 31 December 2024 and 1H2025 and the estimated transaction amount for the last six months ending 31 December 2025; (ii) affected by the overall macroeconomic environment, the expected related business of providing products and services to the Parent Group by Sinoma International in the past three years has not been carried out, and sales volume was lower than expected. Therefore, the business structure has been optimised and the transaction amount for the next three years has been reduced and the expected transaction amount for products and services provided by Sinoma International to the Parent Group amounted to approximately RMB270 million, RMB200 million and RMB500 million respectively (the **"Provision of Products and Services by Sinoma International"**); (iii) the expected transaction amount for products and services provided by Tianshan Material to the Parent Group (the **"Provision of Products and Services by Tianshan Material"**) for the next three years amounted to approximately RMB940 million, RMB950 million and RMB980 million respectively; (iv) the expected transaction amount for products and services provided by Ningxia Building Materials Group Co., Limited, a subsidiary of the Company, to the Parent Group (the **"Provision of Products and Services by Ningxia Building Materials"**) for the next three years amounted to approximately RMB500 million, RMB500 million and RMB500 million respectively; and (v) the Group's anticipation and comparison of the supply and demand in the products and services market, and the Group's anticipated production volume of products in the period from 2026 to 2028.

We noted that the utilization rates of the existing annual caps for FY2023 and FY2024 were approximately 55% and 52% respectively. Accordingly, we consider that it is reasonable for the Company to set the Provision of Products and Services Caps for the three years ending 31 December 2028 lower than that for FY2023.

As aforementioned, having considered the generally positive industry overview and supportive governmental policies as set and that the slight year-on-year decrease in the Group's revenue for 1H2025 (in contrast to the continuous decrease in the Group's revenue from FY2021 to FY2024) may indicate the sign of stability or recovery of the Group's business operation, we consider the Anticipated Growth to be reasonable. Accordingly, we consider the increase of approximately 0.38% for FY2027 and approximately 15.19% for FY2028 in Provision of Products and Services Caps to be reasonable.

We noted that major coverages of the Provision of Products and Services Caps include the expected Provision of Products and Services by Sinoma International, the expected Provision of Products and Services by Tianshan Material and the expected Provision of Products and Services by Ningxia Building Materials for the three years ending 31 December 2028.

In respect of the expected Provision of Products and Services by Sinoma International, we obtained from the Company a breakdown of the expected Provision of Products and Services by Sinoma International for the three years ending 31 December 2028 and noted that expected Provision of Products and Services by Sinoma International mainly include EPC (engineering,

procurement and construction) services and raw materials to support the Parent Group's business development and daily operation. The Company also provided us with certain executed individual EPC and related contracts.

In respect of the expected Provision of Products and Services by Tianshan Material, we obtained from the Company a breakdown of the expected Provision of Products and Services by Tianshan Material for the three years ending 31 December 2028 and noted that such expected Provision of Products and Services by Tianshan Material mainly include cement provided to the Parent Group. As advised by the Directors, certain members of the Parent Group procure cement from Tianshan Material on a continuous basis and enter into individual contract with Tianshan Material and/or its subsidiaries on an annual basis. For our due diligence purpose, the Company provided us certain of the aforesaid individual contracts.

In respect of the expected Provision of Products and Services by Ningxia Building Materials, we obtained from the Company a breakdown of the expected Provision of Products and Services by Ningxia Building Materials for the three years ending 31 December 2028 and noted that such expected Provision of Products and Services by Ningxia Building Materials include logistics services provided to the Parent Group to support the Parent Group's daily operation.

Having considered the above, we are of the view that the Provision of Products and Services Caps for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the Provision of Products and Services Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent revenue to be generated from the Provision of Products and Services. Consequently, we express no opinion as to how closely the actual revenue to be generated from the Provision of Products and Services will correspond with the Provision of Products and Services Caps.

Having considered the principal terms of the Provision of Products and Services as set out above, we are of the view that the terms of the Provision of Products and Services (including the Provision of Products and Services Caps) are on normal commercial terms and are fair and reasonable.

B. The Procurement of Engineering Services

Summarised below are the major terms of the Procurement of Engineering Services as contemplated under the Master Agreement on Mutual Provision of Engineering Services, details of which are set out under the section headed "5. The Master Agreement on Mutual Provision of Engineering Services" of the Board Letter:

Date

28 August 2025

Parties

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

Effective period

The Master Agreement on Mutual Provision of Engineering Services will become effective from 1 January 2026 after having been signed by legal representatives or authorised representatives of both parties and stamped. The term of the Master Agreement on Mutual Provision of Engineering Services is from 1 January 2026 to 31 December 2028.

Principal terms

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

Basis of pricing

The price of the engineering services to be procured from the Parent Group by the Group will be determined based on the priorities as set out under the sub-section headed “(2) Basis of Pricing” of the section headed “5. The Master Agreement on Mutual Provision of Engineering Services” of the Board Letter.

For our due diligence purpose, we obtained a list of all individual transactions regarding the Procurement of Engineering Services for the two years ended 31 December 2024 and 1H2025 from the Company, and randomly selected one individual transaction for each of the two years ended 31 December 2024 and 1H2025 (three individual transactions in total) from the list (the “Selected Procurement of Engineering Services Transactions”). As the sampling was conducted on a random selection basis and the sampling period covered two and a half financial years of the Company, we consider such sampling to be sufficient from independent financial adviser’s perspective. The Company provided us with corresponding documents (including the relevant agreement, invoices, bidding documents and internal approval records) for the Selected Procurement of Engineering Services Transactions, demonstrating that the prices of the engineering services purchased by the Group from the Parent Group were not higher than those offered by independent third parties.

With reference to the Board Letter, the Group has internal control mechanism in place to ensure the individual transactions are conducted within the Master Agreement on Mutual Provision of Engineering Services. Details of the internal control mechanism are set out under the sub-section headed “(2) Basis of Pricing” of the section headed “5. The Master Agreement on Mutual Provision of Engineering Services” of the Board Letter. We consider that implementation of the above internal control mechanism would ensure fair pricing of the Procurement of Engineering Services.

With reference to the Company 2024 Annual Report, the independent non-executive Directors have reviewed, among other things, the continuing connected transactions (including the Procurement of Engineering Services) for FY2024 and provided the INEDs Confirmation. The Company's auditors have also reviewed among other things, the continuing connected transactions (including the Procurement of Engineering Services) for FY2024 and provided the Auditor Confirmation.

The proposed annual caps

Set out below are (i) the historical amounts of the Procurement of Engineering Services for the two years ended 31 December 2024 and 1H2025 with existing annual caps; and (ii) the proposed annual caps of the Procurement of Engineering Services for the three years ending 31 December 2028 (the "Procurement of Engineering Services Cap(s)");

	For the year ended 31 December 2023 RMB' million	For the year ended 31 December 2024 RMB' million	For the year ending 31 December 2025 RMB'million
Historical amounts	7,070.348	6,933.759	2,733.856 (Note)
Existing annual caps	10,236.633	11,347.807	12,133.646
Utilization rate (%)	69	61	N/A
	For the year ending 31 December 2026 RMB' million	For the year ending 31 December 2027 RMB' million	For the year ending 31 December 2028 RMB' million
Procurement of Engineering Services Caps	5,428.537	5,540.323	5,472.899

Note: the figure was for 1H2025.

With reference to the Board Letter, the Procurement of Engineering Services Caps are determined based on: (i) the actual transaction amounts for the two years ended 31 December 2024 and 1H2025 and the estimated transaction amount for the last six months ending 31 December 2025; and (ii) the business requirements for the procurement of engineering services from Sinoma International (a Connected Subsidiary) and its subsidiaries, which are subject to the ongoing decline in domestic cement prices and the slowdown in investment, and the expected transaction amount for procurement of engineering services from Sinoma International (the "Procurement of Engineering Services from Sinoma International") over the next three years amounted to approximately RMB5.10 billion, RMB5.27 billion and RMB5.20 billion, respectively; and (iii) the new annual caps are primarily intended to meet the needs of Tianshan Materials.

We noted that the utilization rates of the existing annual caps for FY2023 and FY2024 were approximately 69% and 61% respectively. Accordingly, we consider that it is reasonable for the Company to set the Procurement of Engineering Services Caps for the three years ending 31 December 2028 lower than that for FY2023.

Based on the information provided by the Company, we noted that the Procurement of Engineering Services Caps for the three years ending 31 December 2028 mainly cover the demand of Tianshan Material. We noted from Tianshan Materials' interim report for the six months ended 30 June 2025 that, as at 30 June 2025, Tianshan Materials has three major engineering projects currently under construction (the "Disclosed Projects"), and the cumulative investment amounts for such projects had reached approximately RMB8.7 billion, with respective completion rates of approximately 64.31%, 62.17% and 22.93%. With reference to relevant announcements as published by Tianshan Materials, the total estimated investment amount for the aforesaid engineering projects was approximately RMB15.4 billion.

We obtained from the Company a breakdown of the expected Procurement of Engineering Services from Sinoma International for the three years ending 31 December 2028 and noted that such expected Procurement of Engineering Services from Sinoma International include procurement by Tianshan Materials for its engineering projects (including the Disclosed Projects).

Having considered the above, we are of the view that the Procurement of Engineering Services Caps for the three years ending 31 December 2028 are fair and reasonable.

Shareholders should note that as the Procurement of Engineering Services Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of cost to be incurred from the Procurement of Engineering Services. Consequently, we express no opinion as to how closely the actual cost to be incurred from the Procurement of Engineering Services will correspond with the Procurement of Engineering Services Caps.

Having considered the principal terms of the Procurement of Engineering Services as set out above, we are of the view that the terms of the Procurement of Engineering Services (including the Procurement of Engineering Services) are on normal commercial terms and are fair and reasonable.

C. The Deposit Services

Summarised below are the major terms of the Deposit Services as contemplated under the Financial Services Framework Agreement, details of which are set out under the section headed "8. The Financial Services Framework Agreement" of the Board Letter:

Date

28 August 2025

Parties

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

Effective period

The Financial Services Framework Agreement will become effective from 1 January 2026 after: (i) having been signed by legal representatives or authorised representatives of both parties and stamped; and (ii) having completed respective internal approval procedures by the parties. The term of the Financial Services Framework Agreement is from 1 January 2026 to 31 December 2028.

Principal terms

The Finance Company has agreed to provide the Group with, among other things, deposit services on a non-exclusive basis.

Basis of pricing

Pursuant to the Financial Services Framework Agreement, the Finance Company has agreed to provide the Deposit Services to the Group in accordance with the following principles: The interest rate for the Group for its deposits with Finance Company shall comply with the PBOC's regulations on interest rates for deposits of the same type from time to time, and will not be lower than: (i) the benchmark interest rate specified by the PBOC for deposits of the same category during the same period; (ii) the interest rate paid by Finance Company for deposits of the same type placed by members of the Parent Group during the same period under the same conditions; and (iii) the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the same period under the same conditions.

For our due diligence purpose, we obtained from the Company a list of records on deposit interest derived from the deposits placed by the Group with the Finance Company for the two years ended 31 December 2024 and 1H2025. We randomly selected one deposit interest record for each of the two years ended 31 December 2024 and 1H2025 (three deposit interest records in total) (the "Selected Deposit Interest Records"). As the sampling was conducted on a random selection basis and the sampling period covered two and a half financial years of the Company, we consider such sampling to be sufficient from independent financial adviser's perspective. The Company provided us with internal deposit interest settlement record for each of the Selected Deposit Interest Records, together with (i) information on the published interest rates offered by the PBOC for deposit of the same category during the same period; (ii) information on the interest rate for deposits of the same type offered by PRC general commercial banks to the Group during the corresponding period; and (iii) the internal deposit interest settlement record regarding the interests paid by Finance Company for deposits of the same category placed by members of the Parent Group during the same period. We noted from

the aforesaid documents that the interest rates offered by the Finance Company to the Group were not lower than (i) the benchmark interest rate specified by the PBOC; (ii) the interest rate by PRC general commercial banks to the Group; and (iii) the interest rate offered by Finance Company to members of the Parent Group.

With reference to the Board Letter, the Group has internal control mechanism in place to ensure the individual transactions are conducted within the Financial Services Framework Agreement. Details of the internal control mechanism are set out under the sub-section headed “(2) Basis of Pricing” of the section headed “8. The Financial Services Framework Agreement” of the Board Letter. We consider that implementation of the above internal control mechanism would ensure fair interest rate determination of the Deposit Services.

With reference to the Company 2024 Annual Report, the independent non-executive Directors have reviewed, among other things, the continuing connected transactions (including the Deposit Services) for FY2024 and provided the INEDs Confirmation. The Company’s auditors have also reviewed among other things, the continuing connected transactions (including the Deposit Services) for FY2024 and provided the Auditor Confirmation.

The proposed annual caps

Set out below are (i) the historical amounts of the Deposit Services for the two years ended 31 December 2024 and 1H2025 with existing annual caps; and (ii) the proposed annual caps of the Deposit Services for the three years ending 31 December 2028 (the “Deposit Cap(s)”):

	For the year ended 31 December 2023 RMB' million	For the year ended 31 December 2024 RMB' million	For the year ended 31 December 2025 RMB' million
Historical amounts	15,393.940	16,188.520	19,389.910 (Note)
Existing annual caps	18,800.000	20,400.000	22,000.000
Utilization rate (%)	82%	79%	N/A

	For the year ending 31 December 2026 RMB' million	For the year ending 31 December 2027 RMB' million	For the year ending 31 December 2028 RMB' million
Deposit Caps	26,600.000	29,700.000	32,600.000

Note: the figure was for 1H2025.

With reference to the Board Letter, the Deposit Caps are determined by the Board after considering the factors as set out under the sub-section headed “Basis of determination of the proposed Deposit Caps” of the Board Letter.

As depicted from the above table, the utilization rates of the existing annual caps were approximately 82% for FY2023 and approximately 79% for FY2024. The Group's maximum daily deposit balance (including accrued interests) under the Deposit Services for 1H2025 reached approximately 88% of the existing annual cap for FY2025.

With reference to the Company 2025 Interim Report, as at 30 June 2025, the Group's cash and cash equivalents were approximately RMB26.3 billion, pledged bank deposits were approximately RMB3.6 billion and structured deposits (classified as financial assets at fair value through profit or loss) were approximately RMB2.3 billion.

In addition, based on the information provided by the Company: (i) the Group's maximum daily deposit balance (including accrued interests) of approximately RMB19.4 billion under the Deposit Services for 1H2025 incurred in early June 2025; (ii) the Group's daily deposit balance (including accrued interests) under the Deposit Services was approximately RMB19.4 billion as at 31 May 2025; and (iii) the Group's cash and cash equivalents were approximately RMB31.1 billion as at 31 May 2025.

With reference to the Board Letter, the Group's credit scale at the Finance Company was RMB25.9 billion as at 30 June 2025, whereas the Group could obtain financing from the Finance Company (including but not limited to loan borrowings) within such limit. Based on the information provided by the Company, the unutilised limit of the aforesaid credit scale was over RMB10 billion as at 30 June 2025. As advised by the Directors, when the Group obtain loan from the Finance Company, the Finance Company will transfer the fund to the Group's designated account under the Finance Company before applying such fund for specified purpose. Accordingly, the Group's loan obtaining from the Finance Company may utilise the Deposit Caps in short-term.

The above figures indicated the Group's possible demand of the Deposit Services (i.e. the Group's cash and cash equivalents of approximately RMB31.1 billion as at 31 May 2025, pledged bank deposits of approximately RMB3.6 billion and structured deposits (classified as financial assets at fair value through profit or loss) of approximately RMB2.3 billion (which could be realised for cash) as at 30 June 2025, and the Group's unutilised limit of credit scale at the Finance Company of over RMB10 billion as at 30 June 2025). Accordingly, we consider the Deposit Caps ranging from RMB26.6 billion to RMB32.6 billion for the three years ending 31 December 2028 could cover the Group's possible demand of the Deposit Services. Therefore, we consider the Deposit Caps for the three years ending 31 December 2028 to be fair and reasonable.

Shareholders should note that as the Deposit Caps are relating to future events and were estimated based on assumptions which may or may not remain valid for the entire period up to 31 December 2028, and they do not represent forecasts of deposits to be placed under the Deposit Services. Consequently, we express no opinion as to how closely the actual deposits to be placed under the Deposit Services will correspond with the Deposit Caps.

Having considered the principal terms of the Deposit Services as set out above, we are of the view that the terms of the Deposit Services (including the Deposit Caps) are on normal commercial terms and are fair and reasonable.

3. Listing Rules implication regarding the Non-Exempt Continuing Connected Transactions

The Directors confirmed that the Company shall comply with the requirements of Rules 14A.53 to 14A.59 of the Listing Rules pursuant to which (i) the values of the Non-Exempt Continuing Connected Transactions must be restricted by their respective proposed annual caps; (ii) the terms of the Non-Exempt Continuing Connected Transactions (including their respective proposed annual caps) must be reviewed by the independent non-executive Directors annually; (iii) details of independent non-executive Directors' annual review on the terms of the Non-Exempt Continuing Connected Transactions must be included in the Company's subsequent published annual reports and financial accounts. Furthermore, it is also required by the Listing Rules that the auditors of the Company must provide a letter to the Board confirming, among other things, whether anything has come to their attention that causes them to believe that the Non-Exempt Continuing Connected Transactions (i) have not been approved by the Board; (ii) were not, in all material respects, in accordance with the pricing policies of the Group (for the products sale and service provision); (iii) were not entered into, in all material respects, in accordance with the relevant agreement governing the transactions; and (iv) have exceeded the proposed annual caps. In the event that the total amounts of the Non-Exempt Continuing Connected Transactions are anticipated to exceed their respective proposed annual caps, or that there is any proposed material amendment to the terms of the Non-Exempt Continuing Connected Transactions, as confirmed by the Directors, the Company shall comply with the applicable provisions of the Listing Rules governing continuing connected transactions.

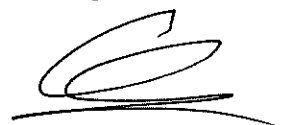
Given the above stipulated requirements for continuing connected transactions pursuant to the Listing Rules, we are of the view that there are adequate measures in place to monitor the Non-Exempt Continuing Connected Transactions and thus the interest of the Independent Shareholders would be safeguarded.

Recommendation on the Non-Exempt Continuing Connected Transactions

Having taken into consideration the factors and reasons as stated above, we are of the opinion that (i) the terms of the Non-Exempt Continuing Connected Transactions are on normal commercial terms and are fair and reasonable; and (ii) the Non-Exempt Continuing Connected Transactions are in the interests of the Company and the Shareholders as a whole and are conducted in the ordinary and usual course of business of the Group. Accordingly, we recommend the Independent Board

Committee to advise the Independent Shareholders to vote in favour of the resolutions to be proposed at the EGM to approve the Non-Exempt Continuing Connected Transactions and we recommend the Independent Shareholders to vote in favour of the resolutions in this regard.

Yours faithfully,
For and on behalf of
Gram Capital Limited



Graham Lam
Managing Director

Note: Mr. Graham Lam is a licensed person registered with the Securities and Futures Commission and a responsible officer of Gram Capital Limited to carry out Type 6 (advising on corporate finance) regulated activity under the SFO. He has over 30 years of experience in investment banking industry.