民銀資本有限公司
香港中環康樂廣場8號
交易廣場1期45樓

CMBC INTERNATIONAL CAPITAL LIMITED
45/F, One Exchange Square,
8 Connaught Place, Central, Hong Kong

T: 852-3728 8000
F: 852-3585 0333

25 July 2025

To The Independent Board Committee and
The Independent Shareholders of
West China Cement Limited

Dear Sir or Madam,

MAJOR DISPOSALS AND CONNECTED TRANSACTIONS DISPOSALS OF COMPANIES AND ASSETS IN XINJIANG

INTRODUCTION

We refer to our appointment as the independent financial adviser to the Independent Board Committee and the Independent Shareholders in respect of the Disposals, details of which are set out in the letter from the Board (the "**Letter from the Board**") contained in the circular issued by the Company to the Shareholders dated 25 July 2025 (the "**Circular**"), of which this letter forms part. Capitalised terms used in this letter shall have the same meanings as those defined in the Circular unless the context otherwise requires.

On 25 June 2025 (after trading hours), the Group entered into the following transactions:

(1) **Transaction A:** Vendor A and the Purchasers entered into the Equity Transfer Agreement, pursuant to which, Vendor A has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire equity interest in each of the Target Companies at a consideration of RMB398.0 million, subject to adjustment;

(2) **Transaction B:** Vendor B, the Purchasers and Vendor A (as guarantor) entered into the APA B, pursuant to which, Vendor B has conditionally agreed to sell and the Asset Purchaser B has conditionally agreed to purchase Assets B at a consideration of RMB161.5 million, subject to adjustment;

(3) **Transaction C:** Vendors C, the Purchasers and Vendor A (as guarantor) entered into the APA C, pursuant to which, Vendors C has conditionally agreed to sell and the Asset Purchaser C has conditionally agreed to purchase Assets C at a consideration of RMB920.5 million, subject to adjustment; and

(4) **Transaction D:** Vendors D, the Purchasers and Vendor A (as guarantor) entered into the APA D, pursuant to which, Vendors D has conditionally agreed to sell and the Asset Purchaser D has conditionally agreed to purchase Assets D at a consideration of RMB170.0 million, subject to adjustment.

Upon Completion, the Company will no longer have (i) any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company; and (ii) any interest in the Target Assets.

LISTING RULES IMPLICATION

Major Transactions

As the highest applicable percentage ratios (as defined under the Listing Rules) for the Disposals exceeds 25% but is less than 75%, the Disposals constitute major transactions for the Company under Chapter 14 of the Listing Rules, and therefore are subject to the reporting, announcement, circular and Shareholders' approval requirements under Chapter 14 of the Listing Rules.

Connected Transaction

As at the Latest Practicable Date, Conch International held approximately 29.01% of the entire issued share capital of the Company and is a substantial Shareholder. Each of Conch International and Purchaser B is wholly-owned by Purchaser A as at the Latest Practicable Date. As such, each of Purchaser A and Purchaser B is an associate of Conch International and a connected person of the Company under Chapter 14A of the Listing Rules. Accordingly, the transactions contemplated under the Equity Transfer Agreement and each of the APAs constitute connected transactions of the Company under Chapter 14A of the Listing Rules and are subject to the requirements of reporting, announcement, and the Independent Shareholders' approval under Chapter 14A of the Listing Rule.

As at the Latest Practicable Date, each of Mr. Wang Manbo and Mr. Wang Zhixin, a non-executive Director, is an employee of Purchaser A, and each of them has abstained from voting on the Board resolutions approving the Equity Transfer Agreement, each of the APAs and the transactions contemplated thereunder. Save as the above, none of the other Directors has material interest in the transactions contemplated under the Equity Transfer Agreement and each of the APAs or is required to abstain from voting on the Board resolutions in relation to the transactions contemplated under the Equity Transfer Agreement and each of the APAs.

EGM

The EGM will be convened and held for the purpose of considering and, if thought fit, approving the Equity Transfer Agreement and the APAs and the transactions contemplated thereunder by way of poll.

At the EGM, any Shareholders with a material interest in the Equity Transfer Agreement, each of the APAs and the transactions contemplated thereunder are required to abstain from voting in respect of the resolution(s) approving the Equity Transfer Agreement, each of the

APAs and the transactions contemplated thereunder. As at the Latest Practicable Date, Conch International and its associates held an aggregate of 1,584,849,970 Shares (representing approximately 29.01% of the total issued share capital of the Company) and shall abstain from voting in respect of the resolution(s) approving the Equity Transfer Agreement, each of the APAs and the transactions contemplated thereunder. As at the Latest Practicable Date, to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, except for Conch International and its associates, no other Shareholders will be required to abstain from voting on the resolution(s) in respect of the Equity Transfer Agreement, each of the APAs, and the transactions contemplated thereunder at the EGM.

THE INDEPENDENT BOARD COMMITTEE

The Independent Board Committee comprising all the independent non-executive Directors, namely Mr. Lee Kong Wai Conway, Mr. Tam King Ching Kenny, Mr. Zhu Dong, Mr. Feng Tao, and Mr. Lau Ka Keung, has been established by the Company to advise the Independent Shareholders as to (i) whether the terms of the Equity Transfer Agreement and each of the APAs and the transactions contemplated thereunder are on normal commercial terms and in the ordinary and usual course of business of the Group; and (ii) whether the terms of the Disposals are fair and reasonable and in the interests of the Company and the Shareholders as a whole. We, CMBC International Capital Limited, have been appointed as the independent financial adviser to advise the Independent Board Committee and the Independent Shareholders in such regard.

OUR INDEPENDENCE

As at the Latest Practicable Date, CMBC International Capital Limited did not have any relationships or interests with the Company, Vendor A, the Asset Transfer Vendors or any other parties that could reasonably be regarded as relevant to the independence of CMBC International Capital Limited. In the last two years, CMBC International Capital Limited had not acted as independent financial adviser to the Company. We are not aware of any of the circumstances set out in Rule 13.84 of the Listing Rules, that would affect our independence to advise you on the Disposals, existed as at the Latest Practicable Date.

BASIS OF OUR OPINION

In formulating our opinion, we have relied on the information, statements supplied, facts and representations contained or referred to in the Circular and the information, facts and representations provided by, and the opinions expressed by the Directors, management of the Company and its subsidiaries (the"**Management**"), as well as, our reference to the relevant public information. We have assumed that all the information provided, statements supplied, and representations and opinions expressed to us or contained or referred to in the Circular were true, accurate and complete in all material respects at the time they were provided and continue to be true up to the date of the EGM and all such statements of belief, opinions and intention of the Directors and the Management and those as set out or referred to in the Circular were reasonably made after due and careful enquiry. We have no reason to doubt the truth, accuracy and completeness of the information and representations provided to us by the

Directors and/or the Management. We have also sought and received confirmation from the Company and the Directors that no material facts have been withheld or omitted from the information and statements provided as well as opinions and representations expressed to us.

We consider that we have reviewed the relevant information currently available to reach an informed view and to justify our reliance on the accuracy of the information contained in the Circular so as to provide a reasonable basis for our recommendation. We have not, however, carried out any independent verification of the information provided, statement supplied, representations made or opinion expressed by the Directors and the Management, nor have we conducted any form of in-depth investigation into the business, affairs, operations, financial position or future prospects of the Company or any of their respective subsidiaries or associates.

PRINCIPAL FACTORS AND REASONS CONSIDERED

In formulating our opinion in respect of the Disposals, we have taken into consideration the following principal factors and reasons:

1. Background information of the Disposals

The Board hereby announces that on 25 June 2025 (after trading hours):

(1) **Transaction A:** Vendor A and the Purchasers entered into the Equity Transfer Agreement, pursuant to which, Vendor A has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire equity interest in each of the Target Companies at a consideration of RMB398.0 million, subject to adjustment;

(2) **Transaction B:** Vendor B, the Purchasers and Vendor A (as guarantor) entered into the APA B, pursuant to which, Vendor B has conditionally agreed to sell and the Asset Purchaser B has conditionally agreed to purchase Assets B at a consideration of RMB161.5 million, subject to adjustment;

(3) **Transaction C:** Vendors C, the Purchasers and Vendor A (as guarantor) entered into the APA C, pursuant to which, Vendors C has conditionally agreed to sell and the Asset Purchaser C has conditionally agreed to purchase Assets C at a consideration of RMB920.5 million, subject to adjustment; and

(4) **Transaction D:** Vendors D, the Purchasers and Vendor A (as guarantor) entered into the APA D, pursuant to which, Vendors D has conditionally agreed to sell and the Asset Purchaser D has conditionally agreed to purchase Assets D at a consideration of RMB170.0 million, subject to adjustment.

Upon Completion, the Company will no longer have (i) any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company; and (ii) any interest in the Target Assets.

2. The Equity Transfer Agreement and the APAs

The principal terms of the Equity Transfer Agreement and the APAs are set out as below:

A. The Equity Transfer Agreement

Date: 25 June 2025 (after trading hours)

Parties:

(i) Vendor A (an indirect wholly-owned subsidiary of the Company)

(ii) Purchaser A

(iii) Purchaser B

Subject matter: Vendor A has conditionally agreed to sell and the Purchasers have conditionally agreed to purchase the entire equity interest in each of the Target Companies. Among the Purchasers, Purchaser A and Purchaser B have agreed to acquire 90% and 10% of the entire equity interest in each of the Target Companies, respectively.

Consideration: The consideration for the transfer of the entire equity interest in the Target Companies is RMB398.0 million, subject to the adjustment.

The consideration shall be paid by the Purchasers to Vendor A by instalment in the following manner:

(i) *First instalment:* within 10 working days from the date on which Vendor A completes all of the following conditions, 40% of the consideration shall be settled by Purchasers:

(a) the shareholders' approval of each of the Target Companies, and the board's approval of Vendor A, approving the transfer of the entire equity interest of the relevant Target Company having been provided by Vendor A to the Purchasers, and the Shareholders' approval approving the transfer of the entire equity interest of the relevant Target Company having been obtained;

(b) a letter of guarantee having been issued by Vendor A guaranteeing its obligations and liabilities under the Equity Transfer Agreement and the APAs, on a joint and several liability basis;

(c) an unconditional and irrevocable bank guarantee in the amount of not less than RMB100 million to guarantee the obligations and liabilities under the Equity Transfer Agreement and the APAs having been issued and obtained;

(d) within seven days after the Equity Transfer Agreement become effective, the Target Companies having obtained and delivered to the Purchasers the written consents of its respective top 10 creditors;

(e) the handover of the management rights of the Target Companies, the issuance of the audited report of the Target Companies for the Transitional Period, the determination of the adjustment and the signing of any handover memorandum and/or supplementary agreement in accordance with the terms and conditions of the Equity Transfer Agreement having been completed;

(f) within 10 working days after the Equity Transfer Agreement become effective, an announcement in relation to the transactions contemplated under the Equity Transfer Agreement having been published by Vendor A on nationally circulated newspaper at the provincial level or above, as well as on the National Enterprise Credit Information Publicity System (國家企業信息公示系統); and

(g) the Equity Transfer Agreement having been signed and become effective, and the approval from the state anti-monopoly agency (國家反壟斷機構) having been obtained, and industrial and commercial registration procedures for the necessary changes in relation to the transfer of the entire equity interest in the Target Companies having been completed.

(ii) *Second instalment:* within 10 working days from the date on which Vendor A completes all of the following conditions, 40% of the consideration shall be settled by the Purchasers:

(a) with the assistance of Vendor A, the evaluation of the employees by the Target Companies having been completed within 1 month after the Management Transfer Date, and entering into new labour contract by the Target Companies with those employees who have passed such evaluation; Vendor A having procured the termination of the labour contract with its employees, settled the related social security, overtime wages, and compensation for work-related injuries and deaths with such employees, and Vendor A having provided to the Purchasers the relevant supporting evidence for such termination and settlement (such as letter of termination, proof of payment of compensation and/or employees undertaking, etc.), all of which shall be conducted in accordance with the terms and conditions of the Equity Transfer Agreement;

(b) all encumbrances on those assets which is within the scope of the Equity Transfer Agreement having been fully discharged (if any), and evidence of the relevant discharge having been provided by Vendor A to the Purchasers;

(c) termination of existing contract(s) and/or the entering into supplemental agreement(s) for contracts of the Target Companies in relation to mining, logistics, security and sale and purchase orders having been completed; and

(d) the conditions as specified in sub-paragraph (i) above having been completed.

(iii) *Third instalment:* within 10 working days from the date on which Vendor A completes all of the following conditions, 14% of the consideration shall be settled by the Purchasers:

(a) within 10 working days after the Equity Transfer Agreement become effective, the joint appointment of an intermediary organisation with professional testing qualifications to conduct sampling tests on steel reinforcement spacing, concrete strength and structural safety of the existing silos and sheds of clinker storage, cement storage, raw material storage, etc., of the Target Companies, by Vendor A and the Purchasers having been completed. Based on the conclusion of such testing results, an reinforcement plan for silos and sheds in need of reinforcement jointly formulated by Vendor A and the Purchasers having been completed, and engagement of a contractor to complete the silos reinforcement works within six months after the Management Transfer Date having been completed;

(b) mining licence for the Target Companies for the expanded area of the Cangyinggou limestone mine in Huocheng County (霍城縣蒼英溝石灰岩礦) having been obtained;

(c) within the period of 10 months from the Management Transfer Date, no situation that causes or may cause economic losses or attracts legal liabilities to the Purchasers as a result of (1) any matters prior to the Management Transfer Date (including, but not limited to, liabilities, business, labour relations, taxation, environmental protection, project construction, construction, etc.); or (2) the acquisition of the entire equity interest in the Target Companies, having occurred, save and except for those situation that have been resolved at the expense of Vendor A. If the settlement is actually resolved by the Purchasers, the Purchasers shall deduct such settlement amount from the consideration for the transfer of the entire equity interest in the Target Companies, and any shortfall shall be made up by Vendor A in cash;

(d) within the period of 10 months from the Management Transfer Date, no former or current employee has applied for labour arbitration or filed a lawsuit or petition due to (1) the transfer of the entire equity interest in the Target Companies; or (2) matters prior to the Management Transfer Date; or (3) matters occurring prior to the Management Transfer Date but continuing after such date, having occurred, save and except for those labour arbitration or disputes that have been resolved at the expense of Vendor A. If the settlement is actually resolved by the Purchasers, the Purchasers shall deduct such settlement amount from the consideration for the transfer of the entire equity interest in the Target Companies, and any shortfall shall be made up by Vendor A in cash;

(e) all receivables which is within the scope of the list to the Equity Transfer Agreement having been recovered or disposed of in a manner as agreed by the Purchasers;

(f) the real estate rights certificate for the land, with floor area of approximately 84 mu, occupied by 伊犁堯柏水泥有限公司 (Yili Yaobai Cement Co., Ltd.*), a Target Company, having been obtained by such Target Company; and

(g) the conditions as specified in sub-paragraph (ii) above having been completed.

(iv) *Final instalment:* within 10 working days from the date on all of the following conditions having been completed, all of the remaining consideration shall be settled by the Purchasers:

(a) the Management Transfer Date having been elapsed for 18 months;

(b) approval for the mine safety facility design plan for the Target Companies for the expanded area of the Cangyinggou limestone mine in Huocheng County (霍城縣蒼英溝石灰岩礦) having been obtained;

(c) the specified obligations and responsibilities of Vendor A as stipulated in the Equity Transfer Agreement having been completed in accordance with the terms and conditions thereof; and

(d) the conditions as specified in sub-paragraph (iii) above having been completed.

Adjustment of the Consideration

The consideration for the transfer of the entire equity interest in the Target Companies shall be adjusted by (i) adding the amount equal to the difference between the amount of current assets of the Target Companies as at the Management Transfer Date and Accounts Date; and (ii) deducting the amount equal to the difference between the amount of total liabilities of the Target Companies as at the Management Transfer Date and the Accounts Date to be taken up, as audited and confirmed by the parties.

Condition precedent

The Equity Transfer Agreement shall only become effective upon satisfaction of the following conditions:

(i) the Equity Transfer Agreement having been signed and sealed by Vendor A and the Purchasers;

(ii) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving the Equity Transfer Agreement and the transactions contemplated thereunder;

(iii) the shareholders' approval of each of the Target Companies, and the boards' approval of Vendor A, approving the transfer of the entire equity interest of the relevant Target Company having been provided by Vendor A to the Purchasers;

(iv) the Purchasers having completed its internal decision-making and approval procedures in accordance with the terms of the Equity Transfer Agreement;

(v) the board and shareholders' approval of Vendor A approving the transfer of the entire equity interest of the Target Companies, and the letter of guarantee as set out under the paragraph headed "II. The Disposals — Transaction A — Consideration and Payment Terms — (i)(b)" in the Letter from the Board, having been provided by Vendor A to the Purchasers; and

(vi) the approval from the state anti-monopoly agency (國家反壟斷機構) having been obtained.

Completion: Within seven working days after the Equity Transfer Agreement become effective, Vendor A and the Purchasers shall determine the Management Transfer Date.

Completion shall take place on a date within 10 days after the Management Transfer Date. Under the Equity Transfer Agreement and the APAs, it was agreed between the parties that the transactions contemplated under the Equity Transfer Agreement and the APAs are inseparable, if any of them does not become effective, then none of the Equity Transfer Agreement and the APAs shall become effective. Hence, if any of the Equity Transfer Agreement and the APAs is canceled or terminated within one year from their respective effective date (other than due to reason of force majeure or State Anti-monopoly Committee or its subordinate bodies), parties to the Equity Transfer Agreement and the APAs (where applicable) shall have the right to request for the cancellation or termination of all the Equity Transfer Agreement and the APAs.

Upon Completion, the Company will no longer have any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company.

Bank guarantee and others To secure the obligation of Vendor A under the Equity Transfer Agreement, Vendor A shall provide an unconditional and irrevocable bank guarantee in the amount of not less than RMB100 million to the Purchasers to guarantee the obligations and liabilities under the Equity Transfer Agreement and the APAs for a term of 42 months from the Management Transfer Date.

Vendor A agrees that, within 42 months from the Management Transfer Date, if the aggregate amount under the utilised bank guarantee and the remaining consideration under the final instalment of the Equity Transfer Agreement and the APAs is less than RMB20 million, Vendor A shall obtain additional unconditional and irrevocable bank guarantee, so that the aggregate amount of the bank guarantees and the remaining consideration under the final instalment of the Equity Transfer Agreement and the APAs shall not be less than RMB80 million.

In the event of change in shareholding, assets or other material change of Vendor A, Vendor A shall procure the Company to guarantee, all obligations and liabilities of Vendor A under the Equity Transfer Agreement and the APAs.

Use of brand and trademarks

In order to maintain the stability of the sales market and customer channels after Completion, Purchaser A may use the brand and trademark of Vendor A at nil consideration for a period of 12 months after the Management Transfer Date. During the period in which the Purchasers uses the trademark of Vendor A, if the quality of the cement and clinker manufactured by the Purchasers causes losses to Vendor A, such related losses shall be borne by the Purchasers.

B. The APAs

Date

25 June 2025 (after trading hours)

Parties:

(i) Vendor B (an indirect wholly-owned subsidiary of the Company) for Transaction B,

Vendors C (each an indirect wholly-owned subsidiary of the Company) for Transaction C, and

Vendors D (each an indirect wholly-owned subsidiary of the Company) for Transaction D

(ii) the Purchasers

(iii) Vendor A (as guarantor)

The Purchasers intend to establish a joint venture in each of Yutian County, Moyu County and Hetian County, Xinjiang, as investment vehicles, in respect of the purchase of Assets B, C and D respectively, among which Purchaser A and Purchaser B will own as to 90% and 10% of the entire equity interest in such investment vehicles. Pursuant to each of the APA B, APA C and APA D, upon establishment of the relevant investment vehicles, the rights and obligations of the Purchasers under each of the APA B, APA C and APA D shall be enjoyed and assumed by the above mentioned investment vehicles respectively.

Subject matter: *Transaction B*

Vendor B has conditionally agreed to sell and the Asset Purchaser B has conditionally agreed to purchase Assets B.

Assets B comprise of (i) non-current assets including property, plant and equipment, right-of-use assets and mining rights owned by Vendor B; and (ii) receivables, inventories and cash and cash equivalents as at the Asset Transfer Date of Vendor B.

Transaction C

Each of the Vendors C has conditionally agreed to sell and the Asset Purchaser C has conditionally agreed to purchase Assets C owned by the respective Vendors C.

Assets C comprise of (i) non-current assets including property, plant and equipment, right-of-use assets and/or mining rights owned by the relevant Vendors C; and (ii) receivables, inventories and cash and cash equivalents as at the Asset Transfer Date of the relevant Vendors C.

Transaction D

Each of the Vendors D has conditionally agreed to sell and the Asset Purchaser D has conditionally agreed to purchase Assets D owned by the respective Vendors D.

Assets D comprise of (i) non-current assets including property, plant and equipment, right-of-use assets and/or mining rights owned by the relevant Vendors D; and (ii) receivables, inventories and cash and cash equivalents as at the Asset Transfer Date of the relevant Vendors D.

Consideration: The consideration for the transfer of Assets B is RMB161.5 million subject to adjustment.

The consideration for the transfer of Assets C is RMB920.5 million subject to adjustment.

The consideration for the transfer of Assets D is RMB170.0 million subject to adjustment.

Payment Terms under each of the APAs

The consideration under the relevant APA shall be paid by the relevant Asset Purchaser to the relevant Asset Transfer Vendor, by instalment in the following manner:

(i) *First instalment:* within 10 working days from the date on which all of the following conditions having been completed, 40% of the consideration under the relevant APA shall be settled by the relevant Asset Purchaser:

(a) the board and shareholders' approval of the relevant Asset Transfer Vendor approving the transfer of the relevant Target Assets in accordance with the terms and conditions of the relevant APA having been provided by the relevant Asset Vendor to the relevant Asset Purchaser;

(b) the letter of guarantee having been issued by the relevant Asset Transfer Vendor and Vendor A, guaranteeing its respective obligations and liabilities under the APAs and the Equity Transfer Agreement, on a joint and several liability basis;

(c) an unconditional and irrevocable bank guarantee in the amount of not less than RMB100 million to guarantee the obligations and liabilities under the Equity Transfer Agreement and the APAs having been issued and obtained by the relevant Asset Transfer Vendor or its related entity;

(d) of the liabilities which will not be assumed by the relevant Asset Purchaser, within seven days after the relevant APA become effective, the relevant Asset Transfer Vendor having obtained and delivered to the relevant Asset Purchaser the written consents of its respective creditors (which are related parties to such relevant Asset Transfer Vendor);

(e) the stocktaking, confirmation on such stocktaking, and transfer procedures, the issuance of the audited report of the relevant Asset Transfer Vendor for the Transitional Period, the determination of the adjustment and the signing of any handover memorandum and/or supplementary agreement in accordance with the terms and conditions of the relevant APA having been completed;

(f) within 10 working days after the relevant APA become effective, an announcement in relation to the transactions contemplated under the relevant APA having been published by the relevant Asset Transfer Vendor on nationally circulated newspaper at the provincial level or above, as well as on the National Enterprise Credit Information Publicity System (國家企業信息公示系統);

(g) the entering into (1) lease agreement and mortgage by the relevant Asset Transfer Vendor with the relevant Asset Purchaser in respect of the lease and mortgage on the mineral resources within the scope of the relevant APA, (2) mortgage by the relevant Asset Transfer Vendor with the relevant Asset Purchaser in respect of the mortgage of the land and other immovable properties within the scope of the relevant APA, and (3) pledge agreement by Vendor A and the relevant Asset Transfer Vendor with the relevant Asset Purchaser in respect of the pledge of the entire equity interest in the relevant Asset Transfer Vendor, having been completed, and the registration and filing of the aforesaid agreements having been completed; and

(h) the relevant APA become effective, and the approval from the state anti-monopoly agency (國家反壟斷機構) having been obtained.

(ii) *Second instalment:* within 10 working days from the date on which all of the following conditions having been completed, 40% of the consideration under the relevant APA shall be settled by the relevant Asset Purchaser:

(a) with the assistance of the relevant Asset Transfer Vendor, the evaluation of the employees by the relevant Asset Purchaser within 1 month after the Asset Transfer Date, and entering into new labour contract by relevant Asset Purchaser with those employees who meet the conditions of employment of the relevant Asset Purchaser having been completed; and the relevant Asset Transfer Vendor having been provided to the relevant Asset Purchaser the relevant supporting evidence for the termination of employment with such employees who have passed the evaluation and employees undertaking etc., all of which shall be conducted in accordance with the terms and conditions of the relevant APA;

(b) all encumbrances on those assets which is within the scope of the relevant APA having been fully discharged (if any), and evidence of the relevant discharge having been provided by the relevant Asset Transfer Vendor to the relevant Asset Purchaser;

(c) of the liabilities which will not be assumed by the relevant Asset Purchaser, the relevant Asset Transfer Vendor having obtained and delivered to the relevant Asset Purchaser the written consents of its respective top 10 creditors (which are not related parties to such relevant Asset Transfer Vendor);

(d) termination of existing contract(s) and/or amendments of existing contracts of the relevant Asset Transfer Vendor in relation to mining, logistics, security and sale and purchase orders having been completed; and

(e) all the conditions as specified in sub-paragraph (i) above in respect of the relevant APA having been completed.

(iii) *Third instalment:* within 10 working days from the date on which all of the following conditions having been completed, 14% of the consideration under the relevant APA shall be settled by the relevant Asset Purchaser

(a) within 10 working days after the relevant APA become effective, the joint appointment of an intermediary organisation with professional testing qualifications to conduct sampling tests on steel reinforcement spacing, concrete strength and structural safety of the existing silos and sheds of clinker storage, cement storage, raw material storage, etc., which falls within the scope of the relevant Target Asset, by the relevant Asset Transfer Vendor and the relevant Asset Purchaser having been completed. Based on the conclusion of such testing results, an reinforcement plan for silos and sheds in need of reinforcement jointly formulated by the relevant Asset Transfer Vendor and the relevant Asset Purchaser having been completed, and engagement of contractor to complete the silos reinforcement works within six months after the Asset Transfer Date having been completed;

(b) within the period of 10 months from the Asset Transfer Date, no situation that causes or may cause economic losses or attracts legal liabilities to the relevant Asset Purchaser as a result of (1) any matters prior to the Asset Transfer Date (including, but not limited to, liabilities, business, labour relations, taxation, environmental protection, project construction, construction, etc.); or (2) the acquisition of the assets under the relevant APA, having occurred, save and except for those situation that have been resolved at the expense of the relevant Asset Transfer Vendor. If the settlement is actually resolved by the relevant Asset Purchaser, the relevant Asset Purchaser shall deduct such settlement amount from the consideration for the transfer of the relevant Target Asset, and any shortfall shall be made up by the relevant Asset Transfer Vendor in cash;

(c) within the period of 10 months from the Asset Transfer Date, no former or current employee has applied for labour arbitration or filed a lawsuit or petition due to (1) the transfer of the assets under the relevant APA; or (2) matters prior to the Asset Transfer Date; or (3) matters occurring prior to the Asset Transfer Date but continuing after such date, having occurred, save and except for those labour arbitration or disputes that have been resolved at the expense of the relevant Asset Transfer Vendor. If the settlement is actually resolved by the relevant Asset Purchaser, the relevant Asset Purchaser shall deduct such settlement amount from the consideration for the transfer of the relevant Target Asset, and any shortfall shall be made up by the relevant Asset Transfer Vendor in cash;

(d) the amendment or transfer of, or approval for the change of, existing certificate(s) or approval(s) underlying the assets of the Target Assets in relation to land and/or real estate rights certificate(s); mining rights certificate(s); product production licence(s), safety production licence(s), construction enterprises qualification(s) (where applicable), sewage licence(s) and other approval(s) or licence(s) required for the cement and/or clinker and/or commercial concrete production lines, from the relevant Asset Transfer Vendor to the relevant Asset Purchaser having been completed;

(e) all receivables which is within the scope of the list to the relevant APA having been recovered or disposed of in a manner as agreed by the relevant Asset Purchaser; and

(f) the conditions as specified in sub-paragraph (ii) above in respect of the relevant APA having been completed.

(iv) *Final instalment:* within 10 working days from the date on which all of the following conditions having been completed, all of the remaining consideration shall be settled by the relevant Asset Purchaser:

(a) the Asset Transfer Date having been elapsed for 18 months;

(b) the specified obligations and responsibilities of the relevant Asset Transfer Vendor as stipulated in the relevant APA having been completed in accordance with the terms and conditions thereof;

(c) the date of publication of the announcement as set out under the paragraph headed "Transaction B, Transaction C and Transaction D — Payment Terms — (i)(f)" in the Letter from the Board having been elapsed for three years, and during such period no dispute arise in connection with any liabilities due to non-related parties of the relevant Asset Transfer Vendor in which the relevant Asset Transfer Vendor has yet to resolve pursuant to the terms of the relevant APA; and

(d) the conditions as specified in sub-paragraph (iii) above in respect of the relevant APA having been completed.

Adjustments of the consideration under each of the APAs

The consideration for the transfer of the relevant Target Asset shall be adjusted by (i) adding the amount equal to the difference between amount of current assets of the relevant Asset Transfer Vendor as at the Asset Transfer Date and the Accounts Date; and (ii) deducting the amount of total liabilities at the relevant Asset Transfer Vendor as at the Asset Transfer Date to be taken up, as audited and confirmed by the parties.

Conditions precedent under each of the APAs

The APAs shall only become effective upon satisfaction of the following conditions:

(i) the relevant APA having been signed and sealed by the relevant Asset Transfer Vendor and the Purchasers;

(ii) the passing of the necessary resolutions by the Independent Shareholders at the EGM approving the relevant APA and the transactions contemplated thereunder;

(iii) the board and shareholders' approval of the relevant Asset Transfer Vendor approving the transfer of the relevant Target Asset having been provided by the relevant Asset Transfer Vendor to the relevant Asset Purchaser;

(iv) the relevant Asset Purchaser having completed its internal decision-making and approval procedures in accordance with the terms of the APAs;

(v) the board and shareholders' approval of Vendor A and the relevant Asset Transfer Vendor, respectively, approving the transfer of the relevant Target Assets, and the letter of guarantee as set out under the paragraph headed "II. The Disposals — Transaction B, Transaction C and Transaction D — Payment Terms — (i)(b)", in the Letter from the Board, having been provided to the relevant Asset Purchasers; and

(vi) the approval from the state anti-monopoly agency (國家反壟斷機構) having been obtained.

Completion

Within seven working days after the relevant APA become effective, the relevant Asset Transfer Vendor and the relevant Asset Purchaser shall determine the Asset Transfer Date. Completion shall take place within 10 days after the Asset Transfer Date.

Under the Equity Transfer Agreement and the APAs, it was agreed between the parties that the transactions contemplated under the Equity Transfer Agreement and the APAs are inseparable, if any of them does not become effective, then none of the Equity Transfer Agreement and the APAs shall become effective. Hence, if any of the Equity Transfer Agreement and the APAs is canceled or terminated within one year from their respective effective date (other than due to reason of force majeure or State Anti-monopoly Committee or its subordinate bodies), parties to the Equity Transfer Agreement and the APAs (where applicable) shall have the right to request for the cancellation or termination of all the Equity Transfer Agreement and the APAs.

Bank guarantees and others	To secure the obligation of the Asset Transfer Vendors under the relevant APAs, the relevant Asset Transfer Vendor or its related entity shall provide to the relevant Asset Purchaser an unconditional and irrevocable bank guarantee in the amount of not less than RMB100 million to guarantee the obligations and liabilities under the Equity Transfer Agreement and APAs for a term of 42 months from the Asset Transfer Date. The relevant Asset Transfer Vendor agrees that, within 42 months from the Asset Transfer Date, if the aggregate amount under the utilised bank guarantee and the remaining consideration under the final instalment of the Equity Transfer Agreement and the APAs is less than RMB20 million, the relevant Asset Transfer Vendor shall obtain additional unconditional and irrevocable bank guarantee, so that the aggregate amount of the bank guarantee shall not be less than RMB80 million. In the event of change in shareholding, assets or other material change of Vendor A, Vendor A shall procure the Company to guarantee, all obligations and liabilities of the Asset Transfer Vendors under the Equity Transfer Agreement and the APAs
Use of brand and trademarks	In order to maintain the stability of the sales market and customer channels after Completion, the relevant Asset Purchaser may use the brand and trademark of the relevant Asset Transfer Vendor at nil consideration for a period of 12 months after the Asset Transfer Date. During the period in which the relevant Asset Purchaser uses the trademark of the relevant Asset Transfer Vendor, if the quality of the cement and clinker manufactured by the relevant Asset Purchaser causes losses to the relevant Asset Transfer Vendor, such related losses shall be borne by the relevant Asset Purchaser.

3. Information of the Group

The Group is primarily engaged in the manufacture and sales of cement and cement products, with cement production lines in China and more recently in the faster growing overseas development markets of sub-Saharan Africa and Central Asia.

The Group's cement production is geared towards the economic development of Western China, Uzbekistan, Mozambique, D.R. Congo and Ethiopia, Africa, driven by the Chinese Government's "Western Development Policy" and the "Silk Road Economic Development Plan". The Group aims to serve the development needs of Shaanxi, Xinjiang, Guizhou, Uzbekistan, Mozambique, D.R. Congo and Ethiopia, Africa supplying cement products to the infrastructure, urban and rural construction markets.

Financial performance of the Group

Set out below are selected financial information of the Group for the two years ended 31 December 2023 and 2024 as extracted from the annual report of the Company for the year ended 31 December 2024 (the "**2024 Annual Report**") respectively:

	For the year ended 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Revenue	9,020,901	8,344,946
Gross Profit	2,460,019	1,973,785
Profit for the year	685,701	827,855

	As at 31 December	
	2023	**2024**
	RMB'000	*RMB'000*
	(audited)	*(audited)*
Total assets	32,902,850	36,289,921
Total liabilities	18,734,900	22,473,436
Net assets	14,167,950	13,816,485

(i) Revenue and Gross profit

The Group's revenue decreased by approximately 7.5% from approximately RMB9,020.9 million for the year ended 31 December 2023 to approximately RMB8,344.9 million for the year ended 31 December 2024. Cement sales volume decreased by 3.0%, from approximately 19.8 million tons for the year ended 31 December 2023 to approximately 19.2 million tons for the year ended 31 December 2024. Including clinker sales, total sales volume of the Group for the year ended 31 December 2024 amounted to approximately 20.0 million tons, representing a decrease of approximately 2.4% as compared to the sales volume of approximately 20.5 million tons sold in 2023.

Overall cement prices were 6.1% lower than those in 2023, and this has resulted in lower revenue in 2024. Average selling price of cement for the year ended 31 December 2024 were RMB338 per ton as compared with that of RMB360 per ton in 2023.

Gross profit of the Group decreased by approximately RMB486.2 million, or approximately 19.8% from approximately RMB2,460.0 million for the year ended 31 December 2023 to approximately RMB1,973.8 million for the year ended 31 December 2024. The decrease in gross profit of the Group was mainly due to the decrease in both average selling price and sales volume as described above. Gross profit margin of the Group decreased from approximately 27.3% for the year ended 31 December 2023 to approximately 23.7% for the year ended 31 December 2024.

(ii) Profit for the year

Profit for the year of the Group increased from approximately RMB685.7 million for the year ended 31 December 2023 to approximately RMB827.9 million for the year ended 31 December 2024. This is primarily due to the net effect of the decrease in gross profit, the decrease in other expenses and increase in other gains and losses, net.

(iii) Net assets

As at 31 December 2024, the net assets of the Group were approximately RMB13,816.5 million, representing a decrease of approximately 2.5% as compared to that of approximately RMB14,168.0 million as at 31 December 2023. The decrease in net assets was mainly attributable to the increase in trade and other payables, contract liabilities.

Market outlook on cement assets and companies of the Group

As stated in the report "Current status and prospects of cement industry supply chain development" issued by China Cement Association in 2024, being affected by the real estate market, the demand of cement in China was being affected. In addition, cement corporations also faced challenges including instability of raw materials supplies, pressure from environmental protection, market competitions and high costs of logistics.

In 2025, the central government will adhere to the general principle of "pursuing progress while maintaining stability", strengthen counter-cyclical adjustment, and implement proactive fiscal policies alongside prudent monetary policies. With the accelerated placement of funds such as ultra-long-term special government bonds and special bonds, the demand for cement in ongoing projects under construction is expected to increase. Infrastructure development will continue to be the main driving force for cement demands. With continuous optimization and implementation of supporting policies of "stabilising the market" and "destocking", and the acceleration of the construction of "three major projects" such as affordable housing, the real estate market will be recovered to a certain extent.

However, the situation of the real estate market is difficult to reverse in the short term, and will be in a stage of further adjustment. The State Council issued the 2024–2025 Energy Conservation and Carbon Reduction Action Plan and Opinions on Accelerating the Comprehensive Green Transformation of Economic and Social Development, which require strengthening the adjustment and control on the production capacity and volume of building materials industry, and promoting the normalisation of staggered production. They also strictly restrict access to new projects, push forward green and low-carbon transformation and upgrading of traditional industries, and establish a comprehensive exit mechanism for production capacity.

In addition, the central government proposed to strengthen industry self-discipline, prevent "involution" vicious competition, strengthen the survival of the fittest mechanism of the market, and facilitate the exit channels for backward and inefficient production capacity, all of which can help to alleviate the contradiction between supply and demand in the cement market, maintain the industry ecology and promote the healthy development of the industry.

4. Information on the Target Companies and Target Assets

A. Target Companies

Each of the Target Companies is a company established in the PRC with limited liability and a direct wholly-owned subsidiary of the Vendor A. Each of the Target Companies is principally engaged in the manufacture and sales of cement and cement products, sale of limestones and construction materials as well as provision of waste treatment service.

Financial performance of the Target Companies

Set out below is the key audited financial information for the financial years ended 31 December 2023 and 2024 of each of the Target Companies, both prepared according to the PRC accounting standards:

	For the year ended 31 December	
	2023	**2024**
	RMB	*RMB*
	(audited)	*(audited)*
Net profit/(loss) before tax:		
Target Company A*(Note)*	82,693,852	79,794,464
Target Company C	(5,903,850)	(3,535,866)
Net profit/(loss) after tax:		
Target Company A*(Note)*	71,413,341	68,025,634
Target Company C	(5,903,850)	(3,526,103)

Note: As at 31 December 2024, Target Company B was a subsidiary of Target Company A. Internal restructuring took place on 15 May 2025, when the entire equity interest of Target Company B was transferred to Vendor A. Therefore, the financial information of Target Company B is consolidated into the financial information of Target Company A as shown above.

As at 31 January 2025, the net asset value of each of Target Company A (including Target Company B) and Target Company C was approximately RMB148.2 million and RMB79.5 million, respectively.

Net profit after tax for the year of the Target Companies decreased from RMB65.5 million for the year ended 31 December 2023 to RMB64.5 million for the year ended 31 December 2024, which was mainly attributable to the decrease in the revenue of the Target Companies for the year ended 31 December 2024.

The value of the entire equity interest in respect of Target Company A (including Target Company B) and Target Company C as at 31 January 2025 as assessed by the Independent Valuer (as defined below) was approximately RMB180.3 million and RMB81.3 million, respectively.

B. Target Assets

Each of the Target Assets locates in Xinjiang. Assets B comprises of assets used for cement manufacturing, Assets C comprises of assets used for cement and construction materials manufacturing, and Assets D comprises of assets used for cement manufacturing and limestone mining, as well as the sale of construction materials.

Financial performance of the operations of the Target Assets

Set out below is the key audited profit or loss attributable to each of the Target Assets for the financial years ended 31 December 2023 and 2024:

	For the year ended 31 December	
	2023	**2024**
	RMB	*RMB*
	(audited)	*(audited)*
Net profit/(loss) before tax		
Asset B	(4,075,934)	(1,109,078)
Asset C	66,423,937	54,526,847
Asset D	29,004,970	16,296,898
Net profit/(loss) after tax		
Asset B	(4,068,513)	(1,109,078)
Asset C	63,116,074	53,135,223
Asset D	24,721,511	12,472,830

As at 31 January 2025, the audited total asset value (excluding cash and cash equivalent) of each of Assets B, Assets C and Assets D was approximately RMB157.7 million, RMB920.4 million and RMB155.1 million, respectively.

Net profit after tax for the year of the operations of the Target Assets decreased from RMB83.8 million for the year ended 31 December 2023 to RMB64.5 million for the year ended 31 December 2024, which was mainly attributable to the decrease in the revenue derived from the operations of the Target Assets for the year ended 31 December 2024.

The value (excluding cash and cash equivalents) of the each of Assets B, Assets C and Assets D as at 31 January 2025 as assessed by the Independent Valuer (as defined below) was approximately RMB227.1 million, RMB966.6 million and RMB257.7 million, respectively.

5. Reasons for and benefits of the Disposals

As discussed in the Letter from the Board in the Circular and based on our understanding from the Management, the Disposals are considered to be in line with the Group's development strategy taken into account:

(i) The Group is optimistic about the future growth potential of cement in Africa in the long run

Africa, in particular, has the world's fastest population growth profile, with total population expected to reach close to 2.5 billion in 2050, from 1.5 billion in 2024 and some of the fastest GDP growth rates in the world. Infrastructure development and urbanization in these markets are benefiting from domestic and international growth initiatives, including the Chinese Government's Belt and Road Initiative. Sub-Saharan Africa has some of the lowest per capita cement consumption rates in the world, at a fraction of those in developed markets and cement production in many countries is backward, under supplied and highly fragmented.

In Ethiopia, the Group's plants enjoy a very strong market position and will continue to benefit from urban, airport, road and railway infrastructure development. The Group's current capacity next to Mozambique's capital Maputo benefits from domestic demand as well as exports to Madagascar, South Africa and Zimbabwe. A new 1.5 million ton plant in northern Mozambique is due to be commissioned in 2026 and is expected to benefit from Mozambique's offshore Liquefied Natural Gas production plans. In the DRC, the Great Lakes plant supplies the east of the country, which faces serious clinker shortages, as well as exporting to Rwanda, Burundi and Tanzania. The Group has also been able to secure the only significant limestone resource in North-eastern Uganda, a country with strong economic growth potential and cement supply shortages. Current cement prices in Uganda exceed RMB1,200 per ton and the Group's new Moroto Plant in North-eastern Uganda is also expected to be commissioned at the end of 2025.

(ii) the net proceeds from the Disposals will provide the Group with cash inflow which will strengthen the financial position of the Group for its long run business expansion needs, in particular, in the Africa market

The Group's focus on overseas development has been validated by its recent financial performance. In 2020, all of the Group's revenues came from China. Since then, the Group's pivot towards sub-Saharan Africa and Central Asia has led to a significant transformation of its operating profile. As at 31 December 2024, the Group has total cement capacity outside of China of 12.3 million tons compared with 27 million tons in China (including the Target Companies and the Target Assets). Due to the fast growing nature of these overseas markets and subsequent higher

ASPs, this operational shift has had a significant effect on the Group's financial performance. In 2024, while cement and clinker sales volumes in Africa and Uzbekistan only amounted to 4.03 million tons out of total Group sales of approximately 20.0 million tons, representing approximately 20% of the total sales volume of the Group, income from these overseas markets made up approximately 38% of the Group's total revenue and approximately 67% of the Group's gross profit. This outperformance came as a result of average gross profit per ton (GP/Ton) in excess of RMB323 in Africa and RMB64 in Uzbekistan, compared with RMB42 in China.

(iii) the net proceeds from the Disposals will be used as funding to settle certain outstanding indebtedness

As at 31 December 2024, the Group recorded net current liabilities of approximately RMB3,560.4 million. The proceeds from the Disposals are intended to be used by the Group for repayment of the 4.95% senior notes issued by the Company which is due in July 2026 (stock code: 40756) as other overseas debt is becoming more expensive due to the global interest rate outlook.

Based on our discussion with the Management and our review of the 2024 Annual Report, we concur with the view of the Management that the Disposals are in line with the Group's principal business and its long-term development strategy.

6. Valuation of the Target Group

As disclosed in the Letter from the Board in the Circular:

The consideration(s) of:

(i) **Transaction A** was determined after arm's length negotiations between Vendor A and the Purchasers, after (i) considering various factors, including the investment costs of similar companies, resources, location and market of the Target Companies; and (ii) the valuation of the entire equity interest in the Target Companies as assessed by the Independent Valuer (as defined below) of approximately RMB261.6 million as at 31 January 2025 using the asset-based approach.

(ii) **each of Transactions B, C and D** was determined after arm's length negotiations between the relevant Asset Transfer Vendor and the Purchasers, after (i) considering various factors, including the investment costs of similar types of project, licences involved and the relevant market; and (ii) the valuation (excluding cash and cash equivalents) of the Target Assets as assessed by the Independent Valuer (as defined below) of approximately RMB1,451.4 million as at 31 January 2025 using the cost method and/or the market approach.

The following sets forth a summary of the considerations of Transactions A, B, C and D and the respective net book values and appraised values of the (i) entire equity interests of the Target Companies; and (ii) each of Assets B, C and D as at 31 January 2025 (the "**Valuation Date**") as set out in the valuation reports in relation to the Target Companies and Target Assets (the "**Valuation Reports**") prepared by the Shenzhen Yitong Asset Appraisal Real Estate and Land Valuation Co., Limited (深圳億通資產評估房地產土地估價有限公司) (the "**Independent Valuer**"). Please refer to Appendix II, III, IV, V to the Circular for detailed information of the Valuation Reports.

	Subject Matter	**Net book value as at 31 January 2025** *(RMB million)*	**Appraised value as at 31 January 2025** *(RMB million)*	**Consideration** *(RMB million)*
Transaction A	Entire equity interests of the Target Companies	227.7	261.6	398.0
Transaction B	Assets B	157.7	227.1	161.5
Transaction C	Assets C	920.4	966.6	920.5
Transaction D	Assets D	155.1	257.7	170.0
	Total	**1,460.8**	**1,713.1**	**1,650.0**

6.1 Scope of work and qualification of the Independent Valuer

We have performed the work as required under Rule 13.80 of the Listing Rules in relation to the Independent Valuer. In particular, we have reviewed the Valuation Reports and relevant documents obtained from the Independent Valuer and interviewed the Independent Valuer with particular attention to (i) the terms of engagement of the Independent Valuer with the Company in relation to the valuation of the equity interests of the Target Companies and the Target Assets; (ii) the certificates of qualifications and experience of the Independent Valuer; and (iii) the valuation methodologies and assumptions used by the Independent Valuer in formulating the Valuation Reports.

We understand that the Independent Valuer is certified with relevant professional qualifications required to perform the valuations of the Target Companies and the Target Assets. Mr. Tang Jianwen and Mr. Han Xiaozhe, having over 10 years of experience in valuation of properties, business and mining rights in the PRC, are responsible for the overall valuations. Based on our review of the Independent Valuer's terms of engagement with the Company in relation to the valuations of the Target Companies and the Target Assets and discussion with the Independent Valuer on the work it has performed in formulating the Valuation Reports, we noted that the scope of work is appropriate for arriving at the valuations of the Target Companies and the Target Assets and we are not aware of any limitations on the scope of work which might adversely impact on the degree of assurance given by the Valuation Reports. Nothing has come to our attention that the parties to the Disposals had made formal or informal representation to the Independent Valuer that contravenes with our understanding of the information, to a material extent, as set out in the Circular. The Independent Valuer has confirmed that it is an independent third party to the parties of the Disposals and their respective core connected persons.

In light of the above, we are not aware of any matters that would cause us to question the Independent Valuer's competence and independence, and we consider that the Independent Valuer has sufficient expertise to perform the valuations of the Target Companies and the Target Assets.

6.2 Valuation methodology and assumptions

We have reviewed the Valuation Reports and discussed with the Independent Valuer on the methodologies of, and bases and assumptions adopted for the valuations, and adjustments made to arrive at the Valuation Reports.

Transaction A

As advised by the Independent Valuer, in arriving at the assessed values of the Target Companies, the Independent Valuer has considered several accepted approaches, namely, income approach, asset-based approach and market approach:

Income approach: provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset

Asset-based approach: provides an indication of value using the economic principle that a buyer will pay no more for an asset than the cost to obtain an asset of equal utility, whether by purchase or by construction. Value is established based on cost of reproducing or replacing the asset, less depreciation or amortisation from functional and economic obsolescence, if present and measurable

Market approach: provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised

The Independent Valuer considered:

(a) the selection of the valuation approach in valuing the Target Companies is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the operation, business nature, financial performance and financial position of the Target Companies, professional judgment and technical expertise;

(b) income approach is not considered because it requires significant level of unobservable and subjective assumptions to be made to arrive at, among others, detailed operational information and long-term financial projections, to which the valuation is highly dependent on the financial projection of the Target Companies prepared by the Management; and

(c) result from using market approach is not considered as cement manufacturing industry is a typical asset-intensive industry, in which the asset value of an enterprise accounts for a large proportion of its overall value, and the production and operation of a company often relies on a large number of fixed assets, while results of the market approach may fluctuate greatly due to changes in market sentiment, short-term supply and demand and for cement business which is greatly affected by macroeconomic and industry cycles, the stability advantage of the asset-based approach is preferable.

The asset-based approach is adopted for and concluded the valuation of the entire equity interest of the Target Companies. We have reviewed the financial information of the Target Companies and noted that the Target Companies are asset-heavy companies. Given their identifiable assets and liabilities, we concur with the Independent Valuer that the asset-based approach is the most appropriate methodology in the valuation of the Target Companies.

Transactions B, C and D

As advised by the Independent Valuer, in arriving at the assessed values of the Target Assets, the Independent Valuer has considered several accepted approaches, namely, income approach, cost approach and market approach:

Income approach:	provides an indication of value by converting future cash flows to a single current asset value, and is commonly applied to an aggregation of assets consisting of all assets of a business enterprise, including working capital and tangible and intangible assets. Value is derived based upon the present worth of economic benefits of ownership of asset
Cost approach:	considers the cost to reproduce or replace the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history
Market approach:	provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised

The Independent Valuer considered:

(a) the selection of the valuation approach in valuing the Target Assets is based on, among other criteria, the merits and limitations of each of the aforesaid valuation methodologies, the quantity and quality of the information provided, accessibility to available data, availability of relevant market information, the operation, business nature, financial performance and financial position of the Target Assets, professional judgment and technical expertise; and

(b) income approach is not considered because the Target Assets are unable to generate income individually and it is difficult to quantify costs and expenses related to labor, management and operation and land that are assigned to the Assets in monetary terms. In addition, it requires significant level of unobservable and subjective assumptions to be made to arrive at, among others, detailed operational information and long-term financial projections, to which the valuation is highly dependent on the financial projection of the Target Assets prepared by the Management.

The cost approach is adopted for the valuation of the property, plant and equipment, receivables and inventories in the Target Assets, which considers the cost to reproduce or replace the assets appraised in accordance with current market prices for similar assets, with allowance for accrued depreciation arising from condition, utility, age, wear and tear, or obsolescence (physical, functional or economical) present, taking into consideration past and present maintenance policy and rebuilding history. The market approach is adopted for the valuation of the land use rights and mining rights as it provides an indication of value by comparing the subject asset with identical or similar assets for which price information is available, and incorporating adjustments to be made for any difference between the properties of the comparable assets and the subject asset being appraised. Since the subject matter of Transactions B, C, D are the Target Assets which is mainly selected assets of the Target Companies B, C and D, comprised of (i) non-current assets including property, plant and equipment, right-of-use assets and mining rights; and (ii) receivables, inventories and cash and cash equivalents, we concur with the Independent Valuer that the cost approach and/or market approach is/are the most appropriate methodology in the valuation of the Target Assets.

In respect of the valuation methodologies adopted by the Independent Valuer, we consider that the Independent Valuer has given due consideration to the selection of valuation approaches. We consider that the benefits of using these approaches include simplicity, clarity, speed and the need for few assumptions. It also introduces objectivity in application as publicly available inputs are used. We concur with the Independent Valuer in choosing the asset-based approach, cost approach and market approach over the income approach, considering that the income approach requires subjective assumptions to which the valuation is highly sensitive.

The Independent Valuer has conducted the valuation on the assumptions that the Target Companies and Target Assets carry out normal business in a usual manner without major disruptions, which we consider are fair and reasonable.

6.3 Assessment of the valuation of the Target Companies and Target Assets

A. Valuation of the Target Companies

As set out in the Valuation Reports, the appraised value of the entire equity interest of the Target Companies was derived based on assessing the value of on-balance sheet and identifiable off-balance sheet assets and liabilities on the basis of the balance sheet of the appraised entity at the appraisal reference date of which all individual asset and liability account categories are analysed and valued separately. It is noted from the Valuation Reports that the book value and appraised value of net assets value of the Target Companies as of the Valuation Date was approximately RMB227.7 million and RMB261.6 million, respectively, representing an appreciation of approximately RMB33.9 million or 14.9%. The appreciation of net asset value as compared to the book value was primarily due to the combined effect of the increase in revaluation of (i) property, plant and equipment; and (ii) current assets.

In valuing the Target Companies under asset-based approach, the Independent Valuer appraised the value of long-term equity investment, buildings, structures, machinery equipment, vehicles and electronic equipment by taking into account: (i) the replacement cost; and (ii) the residual ratio.

Replacement cost is determined by reference to the current market acquisition price, while residual ratio is determined based primarily on the economic useful life of the working capital material in use by applying the ageing rate.

As discussed with the Independent Valuer, the economic useful life and ageing rate of the Target Assets was referenced from the "Handbook of Common Used Methods and Parameters for Asset Appraisal* (資產評估常用資料與參數手冊) published by China Machine Press, a commonly used reference in the asset and equity valuations in the PRC.

The land use rights of the Target Companies are appraised under market approach as price information of comparables is available. Three comparables are referenced for the valuation of the land use rights. Adjustments are made based on location factor premium, individual factor premium and tenure correction of the comparables. We obtained the list of comparables and understand that the comparables are selected based on the location (Yilin, PRC), available for bidding and auction and of industrial use and the price information is extracted from landchina.com (中國土地市場網站), the website with land information hosted by Real Estate Registration Center of Ministry of Natural Resources* (自然資源部不動產登記中心).

The vehicles for transportation of the Target Companies are appraised under market approach as price information of comparables is available. Three comparables are referenced for the valuation of the vehicles for transportation. Adjustments are made based on the year and month of activation and mileage of the comparables. We obtained the list of comparables and understand that the comparables are selected based on the vehicle model and time of activation, and the price information is extracted from several commonly used independent third party websites for second handed cars including www.autohome.com.cn (汽車之家).

The current assets of the Target Companies are appraised as below:

1. Currency funds: The book value after inventory verification was used as the appraised value.

2. Bills receivable: The appraised value is determined on the basis of the probable recoverable amount of each bill after verification.

3. The appraised values of various accounts receivable are determined on the basis of the amount that can be recovered from each payment after verification of the accuracy of the information. The appraised values of prepayments are determined on the basis of the value of the assets or rights formed by the corresponding goods or services received that can be recovered.

4. The appraised values of inventories — raw materials are determined by multiplying the inventoried and verified quantities by the current market purchase price plus reasonable expenses.

5. The appraised values of inventories — products-in-process are determined by multiplying the quantity after inventory verification by the current market selling price if the inventory can be sold to the outside world, and by the verified book value if the inventory cannot be sold to the outside world.

6. The appraised values of inventories — working capital materials in use are generally determined by reference to the appraisal method for fixed assets, and the cost method is adopted.

7. Other current assets are valued book value after inventory verification.

8. Deferred income tax assets are appraised based on the reasons for their origination and the estimated recoverable amounts after the valuation date.

We obtained and reviewed the data used by the Independent Valuer for appraising the Target Companies, which aligns with their methodology. Based on the above, we consider the methodology, computation and data adopted by the Independent Valuer are reasonable.

B. Valuation of the Target Assets

The Independent Valuer adopted cost approach and market approach for the valuation of Target Assets B, C and D.

Cost approach

1. Current Asset

The formula adopted by the Independent Valuer at the appraised value of the Target Assets using cost approach is as follow:

Appraised value under the cost approach = Replacement cost × Residue ratio

Replacement cost is determined by reference to the current market acquisition price, while residual ratio is determined based primarily on the economic useful life of the working capital material in use by applying the ageing rate.

The appraised values of various accounts receivable are determined on the basis of the amount that can be recovered from each payment after verification of the accuracy of the information. The appraised values of prepayments are determined on the basis of the value of the assets or rights formed by the corresponding goods or services received that can be recovered.

The appraised values of inventories — raw materials are determined by multiplying the inventoried and verified quantities by the current market purchase price plus reasonable expenses.

The appraised values of inventories — finished products are determined by multiplying the quantity after inventory verification by the current market selling price.

The appraised values of inventories products in process are determined by the verified book value.

The appraised values of inventories — working capital materials in use are generally determined by reference to the appraisal method for fixed assets, and the cost approach is adopted.

2. Fixed Assets — Buildings and structures

Based on the architectural features, scope of use and performance of buildings, the appraisal adopted the cost approach for the building assets declared by the appraised entity.

When the cost approach is adopted, the value of land use rights occupied by buildings is not included in the valuation, and the value of land use rights is separately reflected in the intangible assets account.

The cost approach is based on the principle of substitution, i.e., as an alternative to purchasing a particular asset, one can build an asset that is identical to or has the same function as that asset. It is a method of appraisal in which the difference between the total cost of acquiring the appraised asset in new condition under current conditions and the physical, functional and economic obsolescence of the appraised asset is subtracted from the appraised value of the home. The formula is

Appraised value = Replacement cost × Comprehensive residue ratio

Replacement cost = preliminary cost + comprehensive construction cost + other costs + capital cost

Comprehensive residue ratio = residue ratio under the useful life method × weight + residue ratio under the on-site inspection method × weight

3. Fixed assets — equipment and vehicles

(1) Replacement cost

According to the information provided by the appraised entity, it is a general taxpayer and can deduct input tax, therefore, the replacement cost in the appraisal is excluding tax.

Replacement cost = purchase price (including tax) + transportation and miscellaneous fees + installation and commissioning fees + basic fees + capital costs – deductible VAT on the purchase price of the equipment – deductible VAT on the transportation fees, installation and commissioning fees and basic fees of the equipment.

(2) Residue ratio

The rate of reconditioning is mainly based on the economic service life of the equipment, and on this basis, it is determined by taking into account factors such as the use of the equipment, the maintenance status, and the working environment, etc.

4. Intangible assets — land use rights

Land use rights was appraised by cost approximation method and cost approach when market data is not available. The cost approximation method is used for appraisal. The cost approximation method is a method of determining the land price based mainly on the sum of the land acquisition costs and various expenses consumed in land development, plus a certain amount of profit, interest, taxes payable and land appreciation income.

Cost approximation method calculation formula:

Land price = unlimited year cost land price × other factors correction = (land acquisition fee + land development fee + investment interest + investment profit + land appreciation income) × other factors modification

The formula of cost approach is as follow:

Appraised value under the cost approach = Replacement value × residue ratio, while residue ratio is not involved of land as the book value represents the amortised residual value of the original purchase cost of the land.

5. Intangible assets — mining rights

Since the mineral mined under the mining right is sand for cement ingredients, which is only used as an ingredient in cement production and is not eligible for external sale, the verified expenditure cost of the mining right is used as the value in the appraisal.

As discussed with the Independent Valuer, the economic useful life and ageing rate of the Target Assets was referenced from the "Handbook of Common Used Methods and Parameters for Asset Appraisal* (資產評估常用資料與參數手冊) published by China Machine Press, a commonly used reference in the asset and equity valuations in the PRC. We obtained and reviewed the data used by the Independent Valuer for appraising the Target Assets, which aligns with their methodology. Based on the above, we consider the methodology, computation and data adopted by the Independent Valuer are reasonable.

Market approach

Under market approach, the value is appraised based on the transaction cases of the same or similar equipment in the relevant market, various influencing factors are compared and adjusted to determine the appraisal value.

1. Fixed assets — vehicles

Based on the transaction cases of the same or similar equipment in the used vehicle market, various influencing factors are compared and adjusted to determine the appraisal value. The vehicles for transportation of the Target Companies are appraised under market approach as price information of comparables is available. Three comparables are referenced for the valuation of the vehicles for transportation. Adjustments are made based on the year and month of activation and mileage of the comparables. We obtained the list of comparables and understand that the comparables are selected based on the vehicle model and time of activation, and the price information is extracted from several commonly used independent third party websites for second handed cars including www.autohome.com.cn (汽車之家). Based on the above, we consider the methodology, computation and data adopted by the Independent Valuer is reasonable.

2. Land use rights and mining rights

The land use rights and mining rights of the Target Assets are appraised under market approach as price information of comparables is available. Three comparables of land use rights and four comparables of mining rights are referenced for the valuation of the land use rights and mining rights respectively.

As discussed with the Independent Valuer, while adopting market approach to appraise the value of the land use rights and mining rights, they have gathered the actual transactions, determined the comparable transactions, established a basis for comparison, applied adjustments to the comparable transactions (if any) and calculated the comparative prices and determined the value of the properties. We have obtained and reviewed the data used by the Independent Valuer, and note that at least three comparables for each land from landchina.com (中國土地市場網站), the website with land information hosted by Real Estate Registration Center of Ministry of Natural Resources* (自然資源部不動產登記中心) and four comparables for mining right from official websites of Ministry of Natural Resources, namely Turpan Municipal Bureau of Natural Resources* (吐魯番地區國土資源局), Tacheng Prefecture Natural Resources Bureau* (塔城地區國土資源局) and Kashgar Prefecture Natural Resources Bureau* (喀什地區自然資源局). We also discussed with and understood from the Independent Valuer on the criteria of comparable selection and noted that (i) the comparables for the land should be in the same county of the land use rights to be appraised, they are for industrial use and being under tender, auction and listing; and (ii) the comparables for the mining right should be in Xinjiang, mined mineral being limestone and the mining rights are under tender, auction and listing or transfer. Based on the above, we consider the methodology, computation and data adopted by the Independent Valuer are reasonable.

Having considered that (i) the qualifications, experience and independence of the Independent Valuer in relation to the preparation of the Valuation Reports; (ii) the steps and due diligence measures taken by the Independent Valuer for conducting the valuations of the Target Companies and Target Assets; (iii) the methodology, bases, assumptions, parameters and computation adopted by the Independent Valuer for the valuation of the Target Companies and Target Assets; (iv) the total consideration of the Disposals was determined after arm's length negotiations between Vendor A and the Purchasers after considering various factors and with reference to the appraised value of the Target Companies and the Target Assets as at the Valuation Date, which was fairly and reasonably determined by the Independent Valuer; and (v) the reasons for and benefits of the Disposals as discussed in the section headed "5. Reasons for and benefits of the Disposals" above, we consider that the valuations of Target Companies and Target Assets are fair and reasonable.

7. Basis of consideration

In addition to the Valuation Reports prepared by the Independent Valuer, we have also assessed the implied price-to-earnings ratio ("**PE Ratio**") of the Target Companies and Target Assets (i.e. the total consideration of the Target Companies and the Target Assets (i.e. RMB1,650.0 million) divided by the aggregated profit after tax of the Target Companies and the Target Assets (i.e. RMB129.0 million)), on a best effort basis, by researching PE Ratio of the listed companies who are principally engaged in cement business on the Main Board of the Stock Exchange and profit making in 2024. The list of selected market comparable companies is exhaustive in terms of the above criteria. The PE Ratio of the market comparable companies are as below:

#	Company name	Stock code	PE Ratio
1	Purchaser A	914.HK	12.22
2	China Resources Building Materials Technology Holdings Limited	1313.HK	51.56
3	The Company	2233.HK	11.42
4	Anhui Conch Material Technology Co., Ltd.	2560.HK	5.10
5	Huaxin Cement Co., Ltd.	6655.HK	7.18
		Maximum	**51.56**
		Minimum	**5.10**
		Average	**17.50**
	The Target Companies and the Target Assets		**12.79**

Source: Stock Exchange as at the date of the Equity Transfer Agreement and the APAs

Based on the above analysis, we consider the implied PE Ratio of the Target Companies and Target Assets is within the range of market comparable companies and comparable to the average PE Ratio of similar companies in the industry. We are of the view that the total consideration of the Target Companies and the Target Assets are comparable to the current valuation of similar companies in the industry.

As illustrated above, the implied PE Ratio of the Target Companies and Target Assets is higher than the PE Ratio of the Company and the Purchaser A. In addition, although the total consideration is lower than the total appraised value of the Transactions A, B, C and D, indicating a discount of approximately 3.7%, it is higher than the total net book values of the Transactions A, B, C and D, indicating a premium of approximately 13.0%. The Group is also expected to record gain of approximately RMB189.2 million (unaudited) on the Disposals. The Management is of the view that the consideration of the Disposals is in the interest of the Company.

In addition, as explained by the Management, excess supply has led to capacity utilization rates of the Group's production lines in the region falling to approximately half of the designed capacity in Xinjiang. During FY2024, these falling utilization rates have led to falls in ASPs (average selling prices) of the Group's cement products in the region and the expectation is that operations there will remain subdued in the medium term at least. The Purchasers of the Target Companies and Target Assets is one of the largest cement producers in China and has the scale, that the Group does not possess, to manage these cement assets in a more subdued demand environment and as part of a much larger installed capacity base in China.

Furthermore, the Purchasers of the Target Companies and the Target Assets have the scale to purchase the Target Companies and Target Assets as a whole in an inseparable transaction. This allows the Group to not only save significant transaction and administrative costs in handling the Disposal of the Xinjiang assets but also saves management time, allowing the Group to direct management resources and Director focus onto its new, faster growing markets, in sub-Saharan Africa and Central Asia.

Last but not least, as discussed with the Management, since the net proceeds from the Disposals will be better utilised going towards partly repaying the 4.95% senior notes issued by the Company and freeing up operating cash flow for the Group's expansion projects, particularly in Africa, as well as partially repaying other overseas debt which is becoming more expensive due to global interest rate outlook and it is not easy to have purchasers to acquire the Target Companies and Target Assets in one batch.

Based on the above, we are of the view that the total consideration of the Target Companies and the Target Assets is in the interests of the Company and the Shareholders as a whole.

8. Financial effects of the Disposals on the Group

Upon Completion, the Company will no longer have (i) any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company, and the financial results, assets and liabilities of the Target Companies will cease to be consolidated into the consolidated financial statements of the Group; and (ii) any interest in the Target Assets. Set out below are the financial effects of the Disposals on the Group:

(i) Net asset value

Upon Completion, the Company will no longer have (i) any equity interest in the Target Companies and each of the Target Companies will cease to be a subsidiary of the Company, and the financial results, assets and liabilities of the Target Companies will cease to be consolidated into the consolidated financial statements of the Group; and (ii) any interest in the Target Assets. It is estimated that the net assets of the Group will have a decrease of approximately RMB1,349.5 million, being the net effect of the changes of the total assets and total liabilities of the Group.

(ii) Revenue and earnings

Subject to the final audit, it is expected that the Group will record an unaudited gain on disposal of approximately RMB189.2 million. Such unaudited gain is estimated after taking into account the aggregate consideration of the Disposals of RMB1,650.0 million and the audited carrying value of the Target Companies and the Target Assets as at 31 January 2025.

(iii) Cash flow

The Group intends to use the net proceeds from the Disposal to repay 4.95% senior notes issued by the Company which is due in July 2026 (stock code: 40756). Its overall financial position will be improved after the Disposals as the Group will be alleviated from the senior notes.

The aforesaid financial impact is shown for illustrative purpose only and does not purport to represent the financial position of the Group after the Completion. The actual financial effect of the Disposals will be determined with reference to the financial status of the Target Companies and Target Assets as at the date of the Completion.

DISCUSSION AND ANALYSIS

Having taken into consideration of the above principal factors and reasons, including:

(i) the Group is optimistic about the future growth potential of cement in Africa in the long run;

(ii) the Disposals are in line with the Group's overall strategy to redirect the Group's financial and management resources to focus on development in the overseas markets;

(iii) the net proceeds from the Disposals will be better utilised in strengthening the financial position of the Group;

(iv) given the transactions contemplated under the Equity Transfer Agreement and the APAs are inseparable, the total consideration of the Transactions A, B C and D, which (a) were determined with reference to their respective appraised value as at 31 January 2025 based on the Valuation Reports, is fair and reasonable so far as the Independent Shareholders are concerned; and (b) represented a premium of approximately 13.0% as compared to the net book value of the Target Companies and Target Assets as at 31 January 2025, is in the interests of the Company and the Shareholders; and

(v) the terms of the Disposals, including those contemplated under the Equity Transfer Agreement and the APAs, are on normal commercial terms and fair and reasonable so far as the Independent Shareholders are concerned,

we are of the view that the terms of the Disposals are fair and reasonable and in the interests of the Company and Shareholders, Vendor A and the relevant Asset Transfer Vendors as a whole.

OPINION AND RECOMMENDATION

Having considered the above principal factors and reasons, we are of the opinion that:

(a) the Disposals, which are not in the ordinary and usual course of business of the Group, are on normal commercial terms; and

(b) the terms of the Equity Transfer Agreement and each of the APAs and the transactions contemplated thereunder are fair and reasonable and in the interests of the Company and the Shareholders as a whole.

Accordingly, we recommend the Independent Board Committee to advise, and we ourselves advise, the Independent Shareholders to vote in favour of the resolution to be proposed at the EGM to approve the Equity Transfer Agreement and the APAs and the transactions contemplated thereunder.

Yours faithfully,
For and on behalf of
CMBC International Capital Limited

Holim Mak
Executive Director

Bon Cheng
Director

Mr. Holim Mak ("Mr. Mak") and Mr. Bon Cheng ("Mr. Cheng") are licensed persons registered with the Securities and Futures Commission to carry out Type 1 (dealing in securities) and Type 6 (advising on corporate finance) regulated activities under the Securities and Futures Ordinance (Chapter 571 of the laws of Hong Kong). Mr. Mak is a responsible officer of CMBC International Capital Limited and has over 20 years of experience in finance and investment banking industries. Mr. Cheng is a responsible officer of CMBC International Capital Limited and has over 15 years of experience in the accounting and investment banking industries.

* *for identification purpose only*