

China National Building Material Co., Ltd

Credit Rating Report of 2019-4 Public Corporate Bonds

Credit rating of the corporate bonds: AAA

Credit rating of the issuer: AAA

Rating outlook: Stable

Issuance size: no more than RMB 1.5 billion

Bond period: Product 1 is a 3-year fixed-interest-rate bond; Product 2 is a 5-year fixed-interest-rate bond

Debt servicing method: Annual interest payment, repayment of principal at maturity

Date of rating: May 30, 2019

Key financial data

Item	2016	2017	2018	2019.03
Total assets (CNY 100mn)	3,405.85	4,535.12	4,361.39	4,528.22
Owners' equity (CNY 100mn)	755.63	1,240.40	1,362.74	1,444.64
Long-term liabilities (CNY 100mn)	574.22	709.33	832.45	--
Total liabilities (CNY 100mn)	2,166.66	2,489.33	2,246.05	--
Revenue (CNY 100mn)	1,032.93	1,873.10	2,231.23	428.78
Net profit (CNY 100mn)	28.10	97.97	140.84	33.61
EBITDA (CNY 100mn)	221.99	379.62	451.35	--
Net cash flow from operating activities (CNY 100mn)	153.92	252.99	485.31	22.45
Operating profit margin (%)	25.75	26.14	29.57	27.33
ROE (%)	3.77	9.82	10.82	--
Debt-to-asset ratio (%)	77.81	72.65	68.75	68.10
Total debt capitalization ratio (%)	74.14	66.74	62.24	--
Current ratio (x)	0.62	0.71	0.74	0.81
EBITDA-to-total-liabilities ratio (x)	0.10	0.15	0.20	--
EBITDA interest multiple (x)	2.19	3.22	3.89	--
EBITDA/scale of this issue (x)	14.80	25.31	30.09	--

Note: 1. All data herein are cited on a consolidated basis unless otherwise specified. 2. Due to rounding, some of the totals are slightly different from the sum of individual numbers in this report. The unit is CNY unless otherwise specified. 3. Financial data from January to March 2019 has not been audited and relevant indexes are simplified. 4. Short-term financing bonds and private placement bonds in other current liabilities have been recognized as short-term liabilities; finance lease in long-term payables have been recognized as long-term liabilities; perpetual bond are not transferred from owner's equity to liabilities in the foregoing financial data. 5. The financial data of 2016, 2017 and 2018 in this report are from the data at the beginning of the year in 2017 audit report, data at the beginning of the year in 2018 audit report and data at the end of the year in 2018 audit report respectively.

Rationale

The ratings of China National Building Material Co., Ltd (hereinafter referred to as the Company or CNBM) by United Credit Ratings Co., Ltd (hereinafter referred to as United Ratings) show that as the largest construction material manufacturer of China, the Company enjoys significant competitive edges in cement product, new material and engineering services. It has the highest production capacity in terms of core products such as cement, commercial concrete, plasterboard, fiberglass in the world; the highest production capacity of windmill blade in China and large-scale operation in various main business sectors. As the largest cement service provider in China, the Company plays a prominent role in the sector and enjoys significant competitive edges in the market. With the expansion of its businesses, the Company has acquired more assets and owner's equity in the recent years while operating under optimal conditions. United Ratings has also noticed the excessive production capacity, fierce competition in the cement industry potential cement price fluctuations and the heavy debt burden on the Company have adverse impacts on the Company's credit with domestic economic downturn.

In May 2018, the H shares swap and swap of the unlisted shares were completed for the merger of the Company with Sinoma Co., Ltd (hereinafter referred to as Sinoma). Through the merger, leveraging the advantages of each other and optimizing resource allocation of the Company's three major business sectors, i.e. cement, new material and engineering services, the Company is expected to further enhance its competitiveness in the global construction material industry. The rating outlook given by United Ratings for the Company is "Stable".

United Ratings concludes that the risk of a default on the bond repayment is extremely low,

based on a comprehensive assessment of the bond issuer's long-term credit history and its ability to repay debts associated with the bond tranche.

Strengths

1. The Company is the largest construction material manufacturer in China and has world-leading production capacity in cement, concrete, plasterboard and fiberglass, with outstanding advantages in terms of production scale.

2. By way of capital operation and restructuring, the Company has completed its presence in the cement industry, with reasonable distribution of production facilities, full-range of products, mature operating modes and significant competitive edges.

3. With proprietary mines and a high degree of self-sufficiency in terms of limestone, the Company enjoys a low-cost advantage based on clinker production lines furnished with a power supply system using residual heat, which enables the Company to provide part of the power for itself.

4. The Company's controlling shareholder is China National Building Group Co., Ltd, which is the largest and a comprehensive construction material group in China that can provide all-around support to the Company.

Concerns

1. The cement product demands have reported slower growth and fiercer competitions over the recent years, and there is excessive production capacity in the industry.

2. The cement industry has witnessed recovery over the recent years and cement price has risen to a historical high. Nevertheless, there are considerable uncertainties in future domestic economic growth as well as demand and supply for cement, and therefore cement prices may fluctuate substantially. These factors will have an impact on the stability of the Company's profitability.

3. If perpetual medium-term notes and renewable corporate bonds are recognized as liabilities, the Company still has a heavy debt

burden. Expenses during the reporting period are high and the expense control ability of the Company needs further improvement. The goodwill created by the merger and restructuring is high.

Analysts

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Note: This is the English translation of the Credit Rating Report originally made out in Mandarin, which would prevail if there should be any discrepancy between the English version and the Mandarin version.