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CNBM

China National Building Material Company Limited*

中國建 材 股 份 有 限 公 司

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

(Stock Code: 3323)

**CONNECTED TRANSACTION
ACQUISITION OF EQUITY INTERESTS HELD BY CNBM TRADING
AND CNBM ELINK**

EQUITY TRANSFER AGREEMENTS

On 21 November 2022, CNBM Investment, a wholly-owned subsidiary of the Company, entered into two individual equity transfer agreements with CNBM Trading, pursuant to which, CNBM Investment has agreed to acquire and CNBM Trading has agreed to dispose of

- 1) the 100% equity interests in CNBM New Zealand; and
- 2) the 100% equity interests in CNBM Singapore.

On the same date, CNBM Investment entered into an equity transfer agreement with CNBM ELink, pursuant to which, CNBM Investment has agreed to acquire, and CNBM ELink has agreed to dispose of the 100% equity interests in CNBM Overseas.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent directly and indirectly holds 44.30% of the issued share capital of the Company and is therefore a substantial shareholder of the Company. CNBM Trading is a wholly-owned subsidiary of the Parent, and CNBM ELink is a wholly-owned subsidiary of CNBM Trading, and thus CNBM Trading and CNBM ELink both constitute connected persons of the Company. Accordingly, the above Acquisitions constitute connected transactions of the Company.

Furthermore, as all of the equity interests in CNBM New Zealand, CNBM Singapore and CNBM Overseas shall be acquired by CNBM Investment from CNBM Trading or its wholly-owned subsidiary, CNBM ELink and conducted within 12 months, the Acquisitions shall be aggregated as a series of connected transactions under Rules 14A.81 and 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions (on an aggregated basis) exceed(s) 0.1% but all such applicable percentage ratios are less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon completion of the Acquisitions, CNBM New Zealand, CNBM Singapore and CNBM Overseas will become subsidiaries of the Company and cease to be connected persons of the Company. After the completion of the Acquisitions, the continuing transactions (if any) between members of the Group and CNBM New Zealand, CNBM Singapore and CNBM Overseas will no longer constitute continuing connected transactions of the Group.

INTRODUCTION

On 21 November 2022, CNBM Investment, a wholly-owned subsidiary of the Company, entered into two individual equity transfer agreements with CNBM Trading, pursuant to which, CNBM Investment has agreed to acquire and CNBM Trading has agreed to dispose of

- 1) the 100% equity interests in CNBM New Zealand; and
- 2) the 100% equity interests in CNBM Singapore.

On the same date, CNBM Investment entered into an equity transfer agreement with CNBM ELink, pursuant to which, CNBM Investment has agreed to acquire, and CNBM ELink has agreed to dispose of the 100% equity interests in CNBM Overseas.

PRINCIPAL TERMS OF THE CNBM NEW ZEALAND EQUITY TRANSFER AGREEMENT

Date

21 November 2022

Parties

- (1) CNBM Investment, as the transferee; and
- (2) CNBM Trading, as the transferor.

Nature of Transaction

CNBM Investment has agreed to acquire, and CNBM Trading has agreed to dispose of, the 100% equity interests in CNBM New Zealand.

Upon completion of the Acquisition, CNBM New Zealand will become a wholly-owned subsidiary of CNBM Investment and a 100% indirectly-owned subsidiary of the Company.

Consideration

The aggregated consideration in respect of the acquisition of the 100% equity interests in CNBM New Zealand shall be RMB36.6423 million. The consideration has been determined after arm's length negotiations and based on the appraised value of the net assets of CNBM New Zealand as at 30 June 2022 as set out in the valuation report filed with the Parent.

The consideration shall be paid by CNBM Investment to CNBM Trading in a lump sum by way of bank transfer within 30 working days from the date of signing the CNBM New Zealand Equity Transfer Agreement.

Completion and Profits and Losses during the Transitional Period

The parties have agreed that 30 November 2022 shall be the completion date of the equity transfer. After friendly negotiation between the parties, all profits and losses arising under the equity interests in CNBM New Zealand during the period from the date (i.e. 1 July 2022) immediately following the valuation benchmark date to the completion date shall be enjoyed or borne by CNBM Trading. The amount of the profits and losses for the period is subject to the results to be reviewed by an intermediary.

As agreed by CNBM Investment and CNBM Trading, the change registration procedures for the transfer of equity interests in CNBM New Zealand shall be completed as soon as possible after the CNBM New Zealand Equity Transfer Agreement takes effect, and all parties shall provide assistance and cooperation on a best effort basis.

Conditions Precedent

The CNBM New Zealand Equity Transfer Agreement shall become effective after (1) being signed by the legal representatives or authorized representatives and affixed with the official seals of both parties; and (2) being considered and approved by the internal competent authorities of both parties.

Other Matters

The corporate governance structure and the arrangements in respect of the directors, supervisors and senior management of CNBM New Zealand after the equity transfer shall be agreed in the articles of association of CNBM New Zealand or determined by the shareholders of CNBM New Zealand.

If CNBM Trading has provided any guarantee for any credit or loans granted by any financial institutions to CNBM New Zealand before the completion date, both parties shall coordinate and complete the change of the guarantor to CNBM Investment after the completion date. If such change cannot be made due to the relevant policies of the financial institutions, CNBM Investment and CNBM New Zealand shall determine a new guarantee plan through joint negotiations after the expiration of the relevant loans or credit extensions, so as to ensure that CNBM Trading does not need to actually assume any liabilities for the aforementioned guarantee.

PRINCIPAL TERMS OF THE CNBM SINGAPORE EQUITY TRANSFER AGREEMENT

Date

21 November 2022

Parties

- (1) CNBM Investment, as the transferee; and
- (2) CNBM Trading, as the transferor.

Nature of Transaction

CNBM Investment has agreed to acquire, and CNBM Trading has agreed to dispose of, the 100% equity interests in CNBM Singapore.

Upon completion of the Acquisition, CNBM Singapore will become a wholly-owned subsidiary of CNBM Investment and a 100% indirectly-owned subsidiary of the Company.

Consideration

The aggregated consideration in respect of the acquisition of the 100% equity interests in CNBM Singapore shall be RMB36.9077 million. The consideration has been determined after arm's length negotiations and based on the appraised value of the net assets of CNBM Singapore as at 30 June 2022 as set out in the valuation report filed with the Parent.

The consideration shall be paid by CNBM Investment to CNBM Trading in a lump sum by way of bank transfer within 30 working days from the date of signing the CNBM Singapore Equity Transfer Agreement.

Completion and Profits and Losses during the Transitional Period

The parties have agreed that 30 November 2022 shall be the completion date of the equity transfer. After friendly negotiation between the parties, all profits and losses arising under the equity interests in CNBM Singapore during the period from the date (i.e. 1 July 2022) immediately following the valuation benchmark date to the completion date shall be enjoyed or borne by CNBM Trading. The amount of the profits and losses for the period is subject to the results to be reviewed by an intermediary.

As agreed by CNBM Investment and CNBM Trading, the change registration procedures for the transfer of equity interests in CNBM Singapore shall be completed as soon as possible after the CNBM Singapore Equity Transfer Agreement takes effect, and all parties shall provide assistance and cooperation on a best effort basis.

Conditions Precedent

The CNBM Singapore Equity Transfer Agreement shall become effective after (1) being signed by the legal representatives or authorized representatives of both parties and affixed with the official seals of both parties; and (2) being considered and approved by the internal competent authorities of both parties.

Other Matters

The corporate governance structure and the arrangements in respect of the directors, supervisors and senior management of CNBM Singapore after the equity transfer shall be agreed in the articles of association of CNBM Singapore or determined by the shareholders of CNBM Singapore.

If CNBM Trading has provided any guarantee for any credit extended or loans granted by any financial institutions to CNBM Singapore before the completion date, both parties shall coordinate and complete the change of the guarantor to CNBM Investment after the completion date. If such change cannot be made due to the relevant policies of the financial institutions, CNBM Investment and CNBM Singapore shall determine a new guarantee plan through joint negotiations after the expiration of the relevant loans or credit extensions, so as to ensure that CNBM Trading does not need to actually assume any liabilities for the aforementioned guarantee.

PRINCIPAL TERMS OF THE CNBM OVERSEAS EQUITY TRANSFER AGREEMENT

Date

21 November 2022

Parties

- (1) CNBM Investment, as the transferee; and
- (2) CNBM ELink, as the transferor.

Nature of Transaction

CNBM Investment has agreed to acquire, and CNBM ELink has agreed to dispose of, the 100% equity interests in CNBM Overseas.

Upon completion of the Acquisition, CNBM Overseas will become a wholly-owned subsidiary of CNBM Investment and a 100% indirectly-owned subsidiary of the Company.

Consideration

The aggregated consideration in respect of the acquisition of the 100% equity interests in CNBM Overseas shall be RMB309.3482 million. The consideration has been determined after arm's length negotiations and based on the appraised value of the net assets of CNBM Overseas as at 30 June 2022 as set out in the valuation report filed with the Parent.

The consideration shall be paid by CNBM Investment to CNBM ELink in a lump sum by way of bank transfer within 30 working days from the date of signing the CNBM Overseas Equity Transfer Agreement.

Completion and Profits and Losses during the Transitional Period

The parties have agreed that 30 November 2022 shall be the completion date of the equity transfer. After friendly negotiation between the parties, all profits and losses arising under the equity interests in CNBM Overseas during the period from the date (i.e. 1 July 2022) immediately following the valuation benchmark date to the completion date shall be enjoyed or borne by CNBM ELink. The amount of the profits and losses for the period is subject to the results to be reviewed by an intermediary.

As agreed by CNBM Investment and CNBM ELink, the change registration procedures for the transfer of equity interests in CNBM Overseas shall be completed as soon as possible after the CNBM Overseas Equity Transfer Agreement takes effect, and all parties shall provide assistance and cooperation on a best effort basis.

Conditions Precedent

The CNBM Overseas Equity Transfer Agreement shall become effective after (1) being signed by the legal representatives or authorized representatives and affixed with the official seals of both parties; and (2) being considered and approved by the internal competent authorities of both parties.

Other Matters

The corporate governance structure and the arrangements in respect of the directors, supervisors and senior management of CNBM Overseas after the equity transfer shall be agreed in the articles of association of CNBM Overseas or determined by the shareholders of CNBM Overseas.

If CNBM ELink or its shareholder, CNBM Trading has provided any guarantee for any credit extended or loans granted by any financial institutions to CNBM Overseas before the completion date, both parties shall coordinate and complete the change of the guarantor to CNBM Investment after the completion date. If such change cannot be made due to the relevant policies of the financial institutions, CNBM Investment shall determine a new guarantee plan after the expiration of the relevant loans or credit extensions, so as to ensure that CNBM ELink or its shareholder, CNBM Trading does not need to actually assume any liabilities for the aforementioned guarantee.

Information on CNBM New Zealand, CNBM Singapore and CNBM Overseas

CNBM New Zealand is a company incorporated under the laws of New Zealand with limited liability and was a wholly-owned subsidiary of CNBM Trading prior to the Acquisition. It is principally engaged in comprehensive service of overseas warehouse and timber trading in New Zealand. As advised by CNBM Trading, 100% equity interest of CNBM New Zealand was held by CNBM Jianpu Resources Co., Ltd. (formerly CNBM Wood Trade Co., Ltd.) in 2011 and has been held by CNBM Trading since 7 August 2018, with the original acquisition cost of US\$0.5 million.

According to the audited accounts of CNBM New Zealand prepared in accordance with the PRC accounting principles for the years ended 31 December 2021 and 31 December 2020, respectively, the net profits (before taxation) of CNBM New Zealand for the years of 2021 and 2020 amounted to approximately RMB62.2622 million and RMB-10.2207 million, respectively; the net profits (after taxation) of CNBM New Zealand for the years of 2021 and 2020 amounted to approximately RMB45.2942 million and RMB-10.2207 million, respectively; and the audited net assets of CNBM New Zealand as at 30 June 2022 was approximately RMB33.1522 million.

According to the valuation report, the appraised value (based on asset-based approach) of the entire equity interest of CNBM New Zealand as at 30 June 2022 was RMB36.6423 million.

CNBM Singapore is a company incorporated under the laws of Singapore with limited liability and was a wholly-owned subsidiary of CNBM Trading prior to the Acquisition. It is principally engaged in bulk commodities trading and other businesses. As advised by CNBM Trading, CNBM Singapore has been held as to 100% by CNBM Trading and therefore there was no original acquisition cost.

According to the audited accounts of CNBM Singapore prepared in accordance with the PRC accounting principles for the years ended 31 December 2021 and 31 December 2020, respectively, the net profits (before taxation) of CNBM Singapore for the years of 2021 and 2020 amounted to approximately RMB14.3955 million and RMB3.9332 million, respectively; the net profits (after taxation) of CNBM Singapore for the years of 2021 and 2020 amounted to approximately RMB11.9462 million and RMB1.7598 million, respectively; and the audited net assets of CNBM Singapore as at 30 June 2022 was approximately RMB36.9050 million.

According to the valuation report, the appraised value (based on asset-based approach) of the entire equity interest of CNBM Singapore as at 30 June 2022 was RMB36.9077 million.

CNBM Overseas is a company incorporated under the laws of the PRC with limited liability and was a subsidiary of CNBM Trading, which indirectly held 100% equity interests of CNBM Overseas prior to the Acquisition. It is principally engaged in comprehensive service of overseas warehouse and other businesses. As advised by CNBM ELink, CNBM Trading made capital contributions of RMB152.4114 million in CNBM ELink with 80% equity interests of CNBM Overseas in November 2016, and CNBM ELink paid the supplemental registered capital of RMB69.9 million in June 2017. In November 2021, CNBM ELink acquired the remaining 20% equity interests of CNBM Overseas from CNBM United Investment Co., Ltd. at a price of RMB53.8084 million. Up to now, 100% equity interests of CNBM Overseas has been held by CNBM ELink and therefore the original acquisition cost was RMB276.1198 million.

According to the audited accounts of CNBM Overseas prepared in accordance with the PRC accounting principles for the years ended 31 December 2021 and 31 December 2020, respectively, the net profits (before taxation) of CNBM Overseas for the years of 2021 and 2020 amounted to approximately RMB22.7856 million and RMB-28.3831 million, respectively; the net profits (after taxation) of CNBM Overseas for the years of 2021 and 2020 amounted to approximately RMB18.7304 million and RMB-34.1396 million, respectively; and the audited net assets of CNBM Overseas as at 30 June 2022 was approximately RMB306.12 million.

According to the valuation report, the appraised value (based on asset-based approach) of the entire equity interest of CNBM Overseas as at 30 June 2022 was RMB321.1482 million.

INFORMATION ON THE RELEVANT PARTIES

The Company

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

CNBM Trading

CNBM Trading is a wholly-owned subsidiary of the Parent. Its principal business includes three major sectors, namely international comprehensive services, modern supply chain services and enterprise digital transformation and intelligent management services.

CNBM ELink

CNBM ELink is a wholly-owned subsidiary of CNBM Trading. Its principal business includes information product distribution, artificial intelligence, enterprise digitalization, intelligent production management, maintenance and technical transformation, spare parts supply, overseas warehouse comprehensive services, etc.

CNBM Investment

CNBM Investment is a 100% directly-owned subsidiary of the Company. Its principal business includes commodity trade, commercial real estate leasing, retail distribution and decoration engineering service, etc.

The Parent

The Parent is a state-owned limited liability company engaged in the business of building materials in the PRC.

REASONS FOR AND BENEFITS OF THE ACQUISITIONS

CNBM Investment has developed itself into a comprehensive service provider of building materials and home furnishings with complete categories and comprehensive competitiveness based on its own brand. Its businesses are mainly distributed in the South Pacific region and Southern Africa. By integrating CNBM Group's internal resources on the basis of its original advantages, CNBM Investment will further concentrate its relevant resource advantages to facilitate the achievement of high-quality development of its overseas warehouses business in a better and faster manner.

The Board (including the independent non-executive Directors) is of the view that the terms of the Acquisitions are fair and reasonable. The Acquisitions are conducted in the ordinary and usual course of business of the Group on normal commercial terms, and are in the interests of the Company and the shareholders as a whole. Except that five Directors (including Mr. Zhou Yuxian, Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng and Mr. Peng Shou) who are employed by the Parent or its subsidiaries other than the Group and thus need to abstain from voting on the Board resolution approving the Acquisitions, none of the Directors has a material interest in the Acquisitions.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent directly and indirectly holds 44.30% of the issued share capital of the Company and is therefore a substantial shareholder of the Company. CNBM Trading is a wholly-owned subsidiary of the Parent, and CNBM ELink is a wholly-owned subsidiary of CNBM Trading, and thus CNBM Trading and CNBM ELink both constitute connected persons of the Company. Accordingly, the above Acquisitions constitute connected transactions of the Company.

Furthermore, as all of the equity interests in CNBM New Zealand, CNBM Singapore and CNBM Overseas shall be acquired by CNBM Investment from CNBM Trading or its wholly-owned subsidiary, CNBM ELink and conducted within 12 months, the Acquisitions shall be aggregated as a series of connected transactions under Rules 14A.81 and 14A.82 of the Listing Rules.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisitions (on an aggregated basis) exceed(s) 0.1% but all such applicable percentage ratios are less than 5%, the Acquisitions are subject to the reporting and announcement requirements, but are exempt from the circular and shareholders' approval requirements under Chapter 14A of the Listing Rules.

Upon completion of the Acquisitions, CNBM New Zealand, CNBM Singapore and CNBM Overseas will become subsidiaries of the Company and cease to be connected persons of the Company. After the completion of the Acquisitions, the continuing transactions (if any) between members of the Group and CNBM New Zealand, CNBM Singapore and CNBM Overseas will no longer constitute continuing connected transactions of the Group.

DEFINITIONS

“Acquisitions”	the acquisition of the 100% equity interests in CNBM New Zealand, CNBM Singapore and CNBM Overseas by CNBM Investment under the equity transfer agreements
“Board”	the board of Directors
“CNBM ELink”	CNBM Elink Co., Ltd.* (中建材智慧物聯有限公司), a company incorporated under the laws of the PRC with limited liability
“CNBM Investment”	CNBM Investment Company Limited* (中建材投資有限公司), a company incorporated under the laws of the PRC with limited liability
“CNBM New Zealand”	China National Building Material International New Zealand Co., Ltd.* (中國建材國際新西蘭有限公司), a company incorporated under the laws of New Zealand
“CNBM New Zealand Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2022 entered into between CNBM Investment (as the transferee) and CNBM Trading (as the transferor) in respect of the acquisition of the 100% equity interests in CNBM New Zealand by CNBM Investment

“CNBM Overseas”	CNBM Overseas Economic Cooperation Co., Ltd.* (中建材海外經濟合作有限公司), a company incorporated under the laws of the PRC
“CNBM Overseas Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2022 entered into between CNBM Investment (as the transferee) and CNBM ELink (as the transferor) in respect of the acquisition of the 100% equity interests in CNBM Overseas by CNBM Investment
“CNBM Singapore”	China National Building Material International Singapore Company* (中國建材國際新加坡公司), a company incorporated under the laws of Singapore
“CNBM Singapore Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2022 entered into between CNBM Investment (as the transferee) and CNBM Trading (as the transferor) in respect of the acquisition of the 100% equity interests in CNBM Singapore by CNBM Investment
“CNBM Trading”	China National Building Material Import and Export Co., Ltd.* (中建材集團進出口有限公司), a company incorporated under the laws of the PRC
“Company”	China National Building Material Company Limited* (中國建材股份有限公司), a joint stock limited company incorporated under the laws of the PRC, the H shares of which are listed on the Stock Exchange
“Director(s)”	the director(s) of the Company
“Group”	the Company and its subsidiaries from time to time
“Listing Rules”	The Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Parent”	China National Building Material Group Co., Ltd.*(中國建材集團有限公司), a state-owned limited liability company incorporated under the laws of the PRC and the controlling shareholder of the Company
“PRC”	the People’s Republic of China, excluding, for the purpose of this announcement only, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

“RMB” Renminbi, the lawful currency of the PRC

“Stock Exchange” The Stock Exchange of Hong Kong Limited

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

Beijing, the PRC
21 November 2022

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Chang Zhangli, Mr. Xiao Jiayang and Mr. Wang Bing as executive directors, Mr. Li Xinhua, Mr. Wang Yumeng, Mr. Peng Shou, Mr. Shen Yungang and Ms. Fan Xiaoyan as non-executive directors and Mr. Sun Yanjun, Mr. Liu Jianwen, Mr. Zhou Fangsheng, Mr. Li Jun and Ms. Xia Xue as independent non-executive directors.

* *For identification purposes only*