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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 BNBM TANZANIA**

EQUITY TRANSFER AGREEMENT

On 21 November 2022, CNBM Investment, a wholly-owned subsidiary of the Company, entered into the Equity Transfer Agreement with BNBM Group, pursuant to which, CNBM Investment has agreed to acquire and BNBM Group has agreed to dispose of the 73.79% equity interests in BNBM Tanzania.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent directly and indirectly holds a total of 44.30% equity interests of the Company and is therefore a substantial shareholder of the Company. BNBM Group is a subsidiary of the Parent, and thus constitutes a connected person of the Company. Accordingly, entering into the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

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

Upon completion of the Acquisition, BNBM Tanzania will become a subsidiary of the Company and cease to be a connected person of the Company. After the completion of the Acquisition, the continuing transactions (if any) between members of the Group and BNBM Tanzania will no longer constitute continuing connected transactions of the Group.

PRINCIPAL TERMS OF THE EQUITY TRANSFER AGREEMENT

Date

21 November 2022

Parties

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

Nature of Transaction

CNBM Investment has agreed to acquire, and BNBM Group has agreed to dispose of the 73.79% equity interests in BNBM Tanzania.

Upon completion of the Acquisition, BNBM Tanzania will become a subsidiary of CNBM Investment, with its 73.79% equity interests being directly held by CNBM Investment, and a 73.79% indirectly-owned subsidiary of the Company.

Consideration

The aggregated consideration in respect of the acquisition of the 73.79% equity interests in BNBM Tanzania shall be RMB79.2882 million. The consideration has been determined after arm's length negotiations and based on the appraised value of the net assets of BNBM Tanzania 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 BNBM Group in a lump sum by way of bank transfer within 30 working days from the date of signing the Equity Transfer Agreement (and in any event not later than 30 December 2022).

Pursuant to the Equity Transfer Agreement, CNBM Investment shall pay for the borrowings owed by BNBM Tanzania to BNBM Group (including principal of RMB33.44 million and its interests) within 30 working days from the date of signing the Equity Transfer Agreement (and in any event not later than 30 December 2022).

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 target equity interests 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 BNBM Group. 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 BNBM Group, the change registration procedures for this transfer of equity interests shall be completed as soon as possible after the Equity Transfer Agreement takes effect, and all parties shall provide assistance and cooperation on a best effort basis.

Conditions Precedent

The 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 BNBM Tanzania after the equity transfer shall be agreed in the articles of association of BNBM Tanzania or determined by the shareholders' meeting of BNBM Tanzania.

If BNBM Group and/or its subsidiaries has provided any guarantee for any credit extended or loans granted by any financial institutions to BNBM Tanzania 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 BNBM Tanzania shall discuss and determine a new guarantee plan after the expiration of the relevant loans or credit extensions, so as to ensure that BNBM Group and/or its subsidiaries does not need to actually assume any liabilities for the aforementioned guarantee.

Information on BNBM Tanzania

BNBM Tanzania is a company incorporated under the laws of Tanzania with limited liability and was a subsidiary of BNBM Group which owned its 73.79% equity interests prior to the Acquisition. It is principally engaged in steel products such as steel billets, wire rods and hot rolled steel coils, and is a logistics trading platform company operating on a local basis. As advised by BNBM Group, BNBM Tanzania has been held as to 73.79% by BNBM Group and therefore there was no original acquisition cost.

According to the audited accounts of BNBM Tanzania 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 BNBM Tanzania for the years of 2021 and 2020 amounted to approximately RMB7.8610 million and RMB6.9266 million, respectively; the net profits (after taxation) of BNBM Tanzania for the years of 2021 and 2020 amounted to approximately RMB5.4286 million and RMB3.9074 million, respectively; and the audited net assets of BNBM Tanzania as at 30 June 2022 was approximately RMB92.63 million.

According to the valuation report, the appraised value (based on asset-based approach) of the entire equity interests of BNBM Tanzania as at 30 June 2022 was RMB107.4512 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.

BNBM Group

BNBM Group is a subsidiary of the Parent which directly holds its 70.04% equity interests. It is principally engaged in the business of trade logistics of building materials and general contracting services of engineering design.

CNBM Investment

CNBM Investment is a 100% directly-owned subsidiary of the Company. Its principal business includes overseas chain stores, building materials services, new materials and investment, 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 ACQUISITION

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 Acquisition is fair and reasonable. The Acquisition is conducted in the ordinary and usual course of business of the Group on normal commercial terms, and is 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 Acquisition, none of the Directors has a material interest in the Acquisition.

LISTING RULES IMPLICATIONS

As at the date of this announcement, the Parent directly and indirectly holds a total of 44.30% equity interests of the Company and is therefore a substantial shareholder of the Company. BNBM Tanzania is a subsidiary of the Parent, and thus constitutes a connected person of the Company. Accordingly, entering into the Equity Transfer Agreement and the transactions contemplated thereunder constitute connected transactions of the Company.

As one or more of the applicable percentage ratios (as defined under Rule 14.07 of the Listing Rules) in respect of the Acquisition exceed(s) 0.1% but all such applicable percentage ratios are less than 5%, the Acquisition is 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 Acquisition, BNBM Tanzania will become a subsidiary of the Company and cease to be a connected person of the Company. After the completion of the Acquisition, the continuing transactions (if any) between members of the Group and BNBM Tanzania will no longer constitute continuing connected transactions of the Group.

DEFINITIONS

“Acquisition”	the acquisition of the 73.79% equity interests in BNBM Tanzania by CNBM Investment under the agreement
“BNBM Group”	Beijing New Building Material (Group) Co., Ltd.* (北新建材集團有限公司), a company incorporated under the laws of the PRC
“BNBM Tanzania”	Beijing New Building Materials (Tanzania) Company Limited* (北新集團坦桑尼亞有限公司), a company incorporated under the laws of Tanzania
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday and statutory public holiday in the PRC
“CNBM Investment”	CNBM Investment Company Limited* (中建材投資有限公司) (previously known as 北新物流有限公司 BND Co., Limited), a company incorporated under the laws of the PRC with limited liability
“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
“Equity Transfer Agreement”	the equity transfer agreement dated 21 November 2022 entered into between CNBM Investment (as the transferee) and BNBM Group (as the transferor) in respect of the acquisition of the 73.79% equity interests in BNBM Tanzania by CNBM Investment
“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*