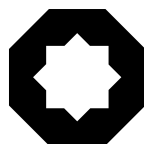


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CNBM

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)

**DISCLOSEABLE TRANSACTION
IN RELATION TO
THE SHARE ACQUISITION
IN CARPOLY**

SHARE TRANSFER AGREEMENT

On 29 December 2023, BNBM (a subsidiary of the Company), each of the Shareholder Shareholding Platforms of the Target Company and each of the Employee Shareholding Platforms of the Target Company entered into the Share Transfer Agreement, according to which, each of the Shareholder Shareholding Platforms of the Target Company and each of the Employee Shareholding Platforms of the Target Company agreed to sell, and BNBM agreed to acquire, a total of 78.34% shares in the Target Company at a consideration of RMB4,073,822,613.03 in cash. After completion of the Share Acquisition, BNBM will hold 78.34% of the shares of the Target Company which will become an indirect subsidiary of the Company.

LISTING RULES IMPLICATIONS

As the highest of all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules regarding the Share Acquisition is more than 5% but less than 25%, the Share Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements.

INTRODUCTION

Reference is made to the Company's announcement regarding the proposed equity acquisition dated 20 September 2023.

On 29 December 2023, BNBM (a subsidiary of the Company), each of the Shareholder Shareholding Platforms of the Target Company and each of the Employee Shareholding Platforms of the Target Company entered into the Share Transfer Agreement, according to which, each of the Shareholder Shareholding Platforms of the Target Company and each of the Employee Shareholding Platforms of the Target Company agreed to sell, and BNBM agreed to acquire, a total of 78.34% shares in the Target Company at a consideration of RMB4,073,822,613.03 in cash. After completion of the Share Acquisition, BNBM will hold 78.34% of the shares of the Target Company which will become an indirect subsidiary of the Company.

THE PRINCIPAL TERMS OF THE SHARE TRANSFER AGREEMENT

Date

29 December 2023

Parties

(1) The Transferee:

(i) BNBM (a subsidiary of the Company);

(2) The Transferors:

(i) Each of the Shareholder Shareholding Platforms of the Target Company (including WCHK, Chengsheng Investment, Jin Kang Li, Yongcheng Investment, Zhicheng Consulting, Zhuoyu Investment and Zhuofeng Investment; and

(ii) Each of the Employee Shareholding Platforms of the Target Company (including Minghua Investment, Jinghe investment, Weicheng Investment, Juncheng Investment and Langcheng Investment).

Target Shares

The Target Shares of the Share Acquisition (“**Target Shares**”) are a total of 78.34% of the shares in the Target Company to be transferred by the Shareholder Shareholding Platforms of the Target Company and the Employee Shareholding Platforms of the Target Company, including the approximately 31.41% shares to be transferred by WCHK, the approximately 9.70% shares to be transferred by Chengsheng Investment, the approximately 5.46% shares to be transferred by Jin Kang Li, the approximately 4.24% shares to be transferred by Yongcheng Investment, the approximately

11.19% shares to be transferred by Zhicheng Consulting, the approximately 8.22% shares to be transferred by Zhuoyu Investment, the approximately 1.84% shares to be transferred by Zhuofeng Investment, and the approximately 6.28% shares to be transferred by Employee Shareholding Platform of the Target Company.

The following table illustrates the changes in the number of shares held by each relevant shareholder in the Target Company and their shareholding ratios immediately before the Handover of the Share Acquisition and immediately after the Handover of the Share Acquisition:

Shareholder Name	Immediately before the Handover of Share Acquisition		Immediately after the Handover of the Share Acquisition	
	Number of shares held (shares)	Shareholding ratio	Number of shares held (shares)	Shareholding ratio
BNBM	0	0.0000%	306,118,336	78.3427%
WCHK	122,718,708	31.4065%	0	0.0000%
Chengsheng Investment	87,545,496	22.4049%	49,643,480	12.7049%
Zhicheng Consulting	65,068,421	16.6525%	21,329,968	5.4588%
Zhuoyu Investment	39,562,287	10.1249%	7,460,600	1.9093%
Jin Kang Li	21,329,968	5.4588%	0	0.0000%
Yongcheng Investment	16,575,120	4.2420%	0	0.0000%
Jinghe Investment	12,750,000	3.2630%	2,847,772	0.7288%
Weicheng Investment	7,888,460	2.0188%	1,593,286	0.4078%
Zhuoyu Investment	7,200,000	1.8426%	0	0.0000%
Juncheng Investment	4,653,000	1.1908%	946,800	0.2423%
Langcheng Investment	3,580,000	0.9162%	645,874	0.1653%
Minghua Investment	1,870,970	0.4788%	156,314	0.0400%
Total	390,742,430	100.00%	390,742,430	100.00%

Consideration Amount and Basis of Consideration

The parties to the Share Transfer Agreement agree that based on the Audit Report and Valuation Report, after deducting the dividends proposed to be paid by the Target Group, the valuation of 100% of the Target Company's shares is determined to be RMB5,200,000,000.00, and the transfer price of the Target Shares is RMB4,073,822,613.03 (the "Share Acquisition Price").

Valuation results adopting income approach

The book value of the total owner's equity attributable to parent regarding the Target Company (on a consolidated basis) on the Valuation Reference Date is RMB2,060.1505 million, and the valuation result adopting income approach is RMB6,020.0300 million. The valuation appreciation is RMB3,959.8795 million, with an appreciation rate of approximately 192.21%.

Reasons for adopting the income approach

The Target Company and its 13 subsidiaries are engaged in the production and sales of coatings. In addition to the production and sales of coatings, the Target Company also undertakes the management functions of the entire Target Group. The high cost of the headquarters results in a slightly higher asset-based valuation result for its individual entity (excluding long-term investment value) than the income-based valuation result. Due to the fact that the valuation of the long-term equity investment value of the Target Company has chosen the valuation results of the income-based method as the valuation conclusion, and the forecast of future returns on long-term investments has not taken into account the allocation of headquarters management expenses borne by the Target Company, the valuation result of the income method can more reasonably reflect the total equity value of the Target Company's shareholders. The Valuation Report adopts the income-based valuation result of RMB6,020.0300 million as the valuation conclusion.

According to the Valuation Report, the Target Company has been operating for many years and has developed a brand effect. During the operation, it has established sales channels and sales system, and has gained a relatively good management experience. The value of the above assets is not reflected on the books, so the valuation result adopting the income method is higher than the book value.

Payment of Consideration

According to the Share Transfer Agreement, the Share Acquisition Price should be paid in installments according to the following provisions:

1. Within 10 business days after the signing of the Share Transfer Agreement and the fulfilment of conditions (1) to (3) by the Shareholder Shareholding Platforms of the Target Company and Employee Shareholding Platforms of the Target Company, BNBM will continue to pay the earnest money to the Supervision Account. On the basis of the earnest money of RMB10.0 million already paid, it will continue to pay up to 10% of the Share Acquisition Price. After the Share Transfer Agreement takes effect, the earnest money in the Supervision Account will automatically be converted to the first phase of Share Acquisition Price (the "**Phase One Share Acquisition Price**") and the second phase Share Acquisition Price (as defined below). Within 10 business days after the payment conditions are met, to release the escrow fund in the Supervision Account to settle the payment;
2. Within 10 business days after the completion of the Handover and relevant industrial and commercial change registration, BNBM will pay the second phase of Share Acquisition Price within the aforementioned period, the amount of which equals to 60% of the Share Acquisition Price (the "**Phase Two Share Acquisition Price**");
3. BNBM is entitled to deduct the outstanding payables to related parties from the Phase One Share Acquisition Price and Phase Two Share Acquisition Price to the Shareholder Shareholding Platforms of the Target Company and Employee Shareholding Platforms of the Target Company, and make such payment to the Target Group directly.

4. The third phase of Share Purchase Price equals to 30% of the Share Acquisition Price (the “**Phase Three Share Acquisition Price**”). The Phase Three Share Acquisition Price attributable to the Original Shareholders will be the guarantee of the Performance Undertaking and other contingencies under the Share Transfer Agreement. The Phase Three Share Purchase Price attributable to the Target Group’s employees (excluding Original Shareholders and Mr. Qiu Dongping) through the Employee Shareholding Platforms of the Target Company will be the guarantee of the service period undertaking. The Phase Three Share Purchase Price will be paid within three years after the Handover is completed, and the annual payment amount is one-third of the Phase Three Share Purchase Price. During the Undertaking Period, if the Target Group completes the promised performance as agreed, BNBM will pay the relevant installment of Share Acquisition Price to the Shareholder Shareholding Platforms of the Target Company and the Employee Shareholding Platforms of the Target Company within 20 business days from the date of issuance of the annual audit report from the year of 2024 to 2026. If the Target Group fails to complete the promised performance for the year or the relevant employees resign in breach of the service period undertaking, BNBM will pay the remaining Share Acquisition Price for the year after deducting the corresponding amount according to the provisions relating to the Performance Compensation and Service Period Undertaking and Transfer of the Remaining Shares.

Profit and loss attribution during the interim period

Except for the dividends stipulated in the Share Transfer Agreement, the Target Group will not make any other distribution of accumulated undistributed profits before the Handover Completion Date. The target group’s accumulated undistributed profits (on a consolidated basis) as of the Handover Completion Date will be shared by all shareholders of the Target Group after the Handover Completion Date in proportion to their respective shareholding in the Target Company.

From the Valuation Reference Date to the Handover Reference Date, if the Target Group’s consolidated financial statements shows a net loss, the loss will be made up by the Original Shareholders to the Target Group in cash.

Performance Undertaking

The Original Shareholders promise that the Target Group’s net profit after tax in the financial years of 2024, 2024-2025, and 2024-2026 (the “**Undertaking Period**”) shall not be less than RMB413 million, RMB875 million, RMB1,394 million (“**Performance Undertaking**”).

The achieved Performance Undertaking relating to net profit after tax will be determined by the net profit after tax attributable to shareholders of the parent company after deducting non-recurring gains and losses from the Target Group’s consolidated financial statements audited by an accounting firm with securities business qualifications and designated by BNBM (“**Net profit after tax**”).

If the Target Group fails to achieve the Performance Undertaking during the Undertaking Period, the Original Shareholders will pay performance compensation (“**Performance Compensation**”) to the Target Group. The amount of compensation will be calculated as follows:

Current compensation=Accumulated committed net profit after tax as of the end of the current period – Accumulated realised net profit after tax as of the end of the current period – Accumulated compensation paid by the Original Shareholders as of the end of the current period.

If the current compensation is calculated to be a negative figure, the excess compensation will be refunded to the extent the refunded amount does not exceed the accumulated compensation paid by the Original Shareholders as of the end of the current period.

The Original Shareholders undertake that the net profit after tax of the Target Group during the period of August 2023 to December 2023 as reviewed by the handover auditor and excluding the impact of equity incentives on share payments, shall not be less than RMB115 million. If the amount is lower than the aforementioned amount, BNBM has the right to directly deduct the difference from the Phase Two Share Acquisition Price payable to the Original Shareholders and will pay the withheld portion of funds to the Target Group.

Corporate Governance Arrangements

After the Handover is completed, the governance structure of the Target Company will be as follows:

1. The shareholders’ general meeting of the Target Company will consist of all shareholders of the Target Company. The shareholders’ general meeting will make resolutions on the matters discussed, and the shareholders will exercise their voting rights in accordance with the proportion of their paid-in share capital;
2. The Target Company will form a board of directors, which will consist of five directors, including four nominated by BNBM and one nominated by Chengsheng Investment. The board of directors will appoint one chairman, recommended by BNBM and elected by the board of directors;
3. The Target Company will form a supervisory board, which will consist of three supervisors, including one nominated by BNBM, one nominated by Chengsheng Investment and one employee supervisor to be elected democratically by the employees.
4. The Target Company will have one general manager, several deputy general managers, and one financial manager. The general manager will be recommended by BNBM and appointed by the Target Company’s board of directors.

Risk Protection Measures

If any of the Shareholder Shareholding Platforms of the Target Company and Employee Shareholding Platforms of the Target Company breaches the representations, warranties, and undertakings provided in the Share Transfer Agreement, or if there are contingencies caused by reasons before the Handover Completion Date provide in the Share Transfer Agreement, resulting in losses to the Target Group or BNBM (“**Compensation Matters**”), after the amount of losses is confirmed through negotiation between the directors nominated by BNBM and Chengsheng Investment or after obtaining a definitive judgment or payment order issued by a governmental agency, the Original Shareholders will compensate through any of the following measures:

1. BNBM will withhold the Share Acquisition price equivalent to the loss amount of the Target Group and pay the withheld portion to the Target Group;
2. The Target Group retains the actual loss amount of the Target Group from the dividends payable to the Original Shareholders;
3. The Original Shareholders shall compensate the Target Group for actual losses in cash or other methods recognized by BNBM.

Effectiveness of Share Transfer Agreement

The share agreement shall come into effect on the date when all the following conditions are met:

1. The Share Transfer Agreement shall be signed by all parties, and the part of Shareholder Shareholding Platform of the Target Company and BNBM shall be signed and stamped with the official seal by the legal representative/executive partner or authorized representative;
2. The Share Acquisition matters mentioned in the Share Transfer Agreement have been reviewed and approved by the board of directors of BNBM. The board of directors of BNBM will convene and make relevant resolutions on the date of signing the Share Transfer Agreement;
3. The Share Acquisition matters mentioned in the Share Transfer Agreement have been approved by the application and review of the business concentration by The State Administration for Market Regulation of the PRC or its local branches.

Conditions precedent

The completion of this Share Acquisition shall be conditional upon the completion of the following matters:

1. Shanghai Carpoly Paint Co., Ltd.*(上海嘉寶莉塗料有限公司) and the entity designated by the Original Shareholders have signed an “equity transfer agreement” approved by BNBM on the transfer of 100% equity of Shanghai Carpoly Paint Sales Co., Ltd.*(嘉寶莉(上海)塗料銷售有限公司);
2. The Target Company and the entity designated by the Original Shareholders have signed an “equity transfer agreement” approved by BNBM regarding the transfer of 100% equity of Foshan Carpoly Technology Co., Ltd.*(佛山市嘉寶莉科技有限公司);
3. The Target Company, Guangdong Natural Tuhugong Co., Ltd.*(廣東自然塗化工有限公司), Shanghai Carpoly Paint Co., Ltd.*(上海嘉寶莉塗料有限公司), Sichuan Carpoly Paint Co., Ltd.*(四川嘉寶莉塗料有限公司), Hebei Carpoly Paint Co., Ltd.*(河北嘉寶莉塗料有限公司), Shanghai Carpoly Building Energy Saving Technology Co., Ltd.*(上海嘉寶莉建築節能科技有限公司) and the entity designated by the Original Shareholders have signed an “asset transfer framework agreement” (“**Real Estate Asset Transfer Agreement**”) approved by BNBM regarding the real estate asset that need to be divested from the Target Group (“**Real Estate Asset**”);
4. The Target Group will divest relevant vehicles and sign asset transfer agreements or other necessary documents with the relevant receiving entities for transfer. The transfer price will be the net book value of such assets as of the Valuation Reference Date, and the aforementioned funds will be recovered before the Handover Completion Date. If the transfer cannot be completed before Handover Completion Date, the Original Shareholders will be responsible for taking over the transfer first according to the agreed transfer price and method;
5. BNBM has obtained approval from The State Administration for Market Regulation of the PRC or its local branches or any other government agencies (if applicable) for the concentration review of operators regarding this Share Acquisition, and this approval does not attach any conditions unsatisfactory to either party;
6. The items on the checklist attached to the Handover Review Report and the Handover Agreement have been completed as recognised by all parties;
7. The limited partners who remain to hold the proprietary ownership of the Employee Shareholding Platforms of the Target Company after this Share Acquisition have signed written documentation, agreeing to accept the agreed Service Period Undertaking and Transfer of the Remaining Shares and other related arrangements, and agreeing to cancel the undertakings related to repurchasing employee shares in the employee shareholding plan and related supporting documents;

8. The divestment of the companies and the Real Estate Asset is completed and delivered in accordance with the provisions of the relevant equity transfer agreement and Real Estate Asset Transfer Agreement;
9. The documents for change of business registration regarding the transfer of Target Shares in the Target Company and the equity transfers relating to the divestment of companies have been completed by all parties; and
10. Obtaining the consent of the Target Group's financial institution creditors for this Share Acquisition (if necessary).

Handover

The Handover shall be carried out by BNBM, the Shareholder Shareholding Platforms of the Target Company, and the Employee Shareholding Platforms of the Target Company within 5 business days after the prerequisite conditions and payment related safety and environmental protection rectification matters have been met, at the Target Company's registered address or at a time and place agreed upon by other parties, and a handover agreement shall be signed as a confirmation document for the completion of the handover. The date of signing the handover agreement shall be the "Handover Completion Date".

After BNBM pays the First Phase Equity Purchase Price as agreed, authorized personnel of BNBM and personnel appointed by BNBM according to the agreement ("**BNBM Handover Personnel**") will have the right to enter the Target Group's registered address to carry out handover preparation work. BNBM should ensure that the handover personnel of BNBM complete all agreed handover contents as soon as possible, but no later than the Handover Completion Date, after the Handover Reference Date.

Profit Forecast

Since the consideration in respect of the Share Acquisition is based on the valuation of all shareholders' equity interests of the Target Company as at the Valuation Reference Date adopting income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.62 of the Listing Rules is applicable.

Moore CPA Limited, the reporting accountant of the Company, has reported on the calculations for the forecasts used in the Valuation Report, which do not involve the adoption of accounting policies. So far as the calculations are concerned, the discounted cash flows approach has been properly compiled in all material respects in accordance with the bases and assumptions adopted by the Board as set out in the Valuation Report. Please refer to the Report from the Reporting Accountant in Appendix I.

The Board has confirmed that the profit forecast has been made after due and careful enquiry by the Board. Please refer to the Letter from the Board in Appendix II.

Principal assumptions adopted in the Valuation Report

The main assumptions used in the Valuation Report are as follows:

(I) General Assumptions

1. Assumption of continuous operation of the enterprise

The assumption of continuous operation of the enterprise assumes that the evaluated enterprise's business operations are legal and there will be no unforeseeable factors that will prevent it from continuing to operate. The current use of the evaluated assets remains unchanged and they will continue to be used in place.

2. Transaction assumptions

The trading assumption assumes that all assets to be evaluated are already in the process of trading, and the appraiser evaluates them based on simulated market conditions such as the trading conditions of the assets to be evaluated. The transaction assumption is the most fundamental prerequisite for asset valuation to proceed.

3. Public market assumption

The open market assumption assumes that assets traded or intended to be traded in the market are of equal status and have the opportunity and time to obtain sufficient market information, in order to make rational judgments on the functions, uses, and trading prices of assets. The open market assumption is based on the fact that assets can be publicly traded in the market.

(II) Special Assumptions

1. It is assumed that there are no material changes to the current relevant laws, regulations, policies and the macroeconomic situation of the PRC; there are no significant changes in the political, economic and social environment of the regions where the parties to the transaction are located.
2. It is assumed that the industry of the appraised entity maintains a stable development trend and there is no significant change in industrial policies, management systems and relevant regulations.
3. It is assumed that there will be no significant changes in the national credit interest rate, exchange rate, tax base and tax rate, policy collection fees, etc.
4. It is assumed that there are no other force majeure and unforeseen factors that cause significant adverse effects on the enterprise.

5. It is assumed that the values of various parameters measured in this appraisal are determined according to the current price system, without considering the impact of inflation after the benchmark date.
6. It is assumed that the production and operation business of the appraised entity can continue to operate according to its current situation, and there will be no significant change in its operation status within the foreseeable operation period.
7. It is assumed that the future operation and management personnel of the enterprise will perform their duties, and the enterprise will continue to operate under the existing operation and management mode.
8. assumption of continuous use of assets, that is, it is assumed that the assets under evaluation will continue to be used legally and effectively according to their current use, use mode, scale, frequency, environment and other conditions, and there will be no significant change in the foreseeable service life.
9. It is assumed that the general information, property rights information, policy documents and other relevant materials provided by the entrusting party and the appraised entity are authentic and effective.
10. It is assumed that the purchase, acquisition and construction of the assets involved in the appraised entity comply with relevant national laws and regulations.
11. It is assumed that there is no significant change in the main business content and business scale of the appraised entity.
12. It is assumed that there is no significant difference between the accounting policies adopted in the financial information provided by the appraised entity over the years and the accounting policies adopted in the income forecast.
13. It is assumed that the future business strategy and cost control of the enterprise will not change greatly.
14. In the foreseeable operating period, the non-recurring profits and losses that may occur in the company's operation are not considered, including but not limited to profits and losses arising from the disposal of long-term equity investment, fixed assets, construction in progress, intangible assets, other long-term assets and other non-operating income and expenses.
15. It is assumed that the cash flow in and out of each year in the income method assessment is uniform.

16. The impact of future capital increase by shareholders or other parties on enterprise value will not be considered.
17. It is assumed that the appraised enterprise can still enjoy the preferential income tax policies for high-tech enterprises after the expiration of the high-tech enterprise certificate.

Expert qualification, consent and opinion

The qualification of the expert who has given its statement in this announcement is as follows:

Name	Qualification
Moore CPA Limited	Certificate Public Accountants

As at the date of this announcement, the expert listed above does not have:

- (a) any direct or indirect interest in any assets which have been acquired or disposed of by or leased to any member of the Group, or are proposed to be acquired or disposed of by or leased to any member of the Group since 31 December 2022, being the date to which the latest published audited financial statements of the Group were made up; and
- (b) any shareholding in any member of the Group or the right (whether legally enforceable or not) to subscribe for or to nominate persons to subscribe for securities in any member of the Group.

Moore CPA Limited has given and has not withdrawn its consent to the issue of this announcement with the inclusion of its letter and reference to its name in the form and context in which it appears.

REASONS FOR AND BENEFITS OF THE SHARE ACQUISITION

After the Share Acquisition, the Target Company will become a subsidiary controlled by BNB M, and the coatings business capacity of BNB M will be improved from the current 103,000 tons to more than 1.3 million tons. The production capacity layout has expanded from North China to the whole country. The coatings segment business will be significantly strengthened, among which the architectural coatings business will leap to the leading position in the domestic industry in the PRC.

After the Share Acquisition is completed, the Target Company and BNB M will promote collaborative development in procurement, production, sales, research and development, etc., and at the same time deeply explore the synergistic potential with the existing business of BNB M to further improve production efficiency, expand market share and enhance profitability.

The Board (including the independent non-executive Directors) is of the view that the terms of the Share Transfer Agreement are fair and reasonable, and the Share 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 its shareholders as a whole.

INFORMATION ON RELEVANT PARTIES

The Company

The Company is a leading building materials company in the PRC with significant operations in basic building materials, new materials and engineering technological services businesses.

BNBM

BNBM is a subsidiary of the Company, and is principally engaged in the research and development, production and sales of new building materials and green building materials. Its A-shares are listed and traded on the Shenzhen Stock Exchange (stock code: 000786).

Target Company

The Target Company is principally engaged in the research and development, production and sales of coatings and related products.

The net asset value, the total owner's equity attributable to parent based on the latest audited consolidated accounts prepared in accordance with the generally accepted accounting principles of the PRC and the Valuation of 100% shares in the Target Company (based on the Valuation Report issued by the Valuer on 23 December 2023) as at the Valuation Reference Date are as follows:

	Net asset value <i>(RMB million)</i>	Total owner's equity attributable to parent <i>(RMB million)</i>	Valuation <i>(RMB million)</i>
Target Company	2,071.7167	2,060.1505	6,020.0300

Pursuant to the audited accounts prepared in accordance with generally accepted accounting principles of the PRC, the net profits (before and after taxation) of the Target Company for the financial years ended 31 December 2021 and 2022 and the seven months ended 31 July 2023 are as follows:

	For the financial year ended 31 December 2021		For the financial year ended 31 December 2022		For the seven months ended 31 July 2023	
	Net profit before tax <i>(RMB million)</i>	Net profit after tax <i>(RMB million)</i>	Net profit before tax <i>(RMB million)</i>	Net profit after tax <i>(RMB million)</i>	Net profit before tax <i>(RMB million)</i>	Net profit after tax <i>(RMB million)</i>
Target Company	77.0178	78.6166	310.5544	267.9300	237.2322	196.1198

Shareholder Shareholding Platforms

Name	Details
World Champion (Hong Kong) Limited* (世駿(香港)有限公司) (“ WCHK ”)	a private company incorporated in Hong Kong with limited liability, whose ultimate beneficial owner is Ms. Huang Jiehua* (黃潔華), and is principally engaged in equity investment and property investment management.
Jiangmen Chengsheng Investment Co., Ltd.* (江門市承勝投資有限公司) (“ Chengsheng Investment ”)	a limited liability company (sole proprietorship that is not invested or controlled by natural person) established in the PRC, whose ultimate beneficial owner is Mr. Qiu Qiming (仇启明), and is principally engaged in investment management.
Jin Kang Li Limited* (金康力有限公司) (“ Jin Kang Li ”)	a private company incorporated in Hong Kong with limited liability, whose ultimate beneficial owner is Ms. Liang Cuiwei (梁翠薇), and is principally engaged in international investment.
Jiangmen Yongcheng Investment Partnership (Limited Partnership)* (江門永成投資合夥企業(有限合伙)) (“ Yongcheng Investment ”)	a limited partnership (foreign invested partnership) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in project investment.
Jiangmen Zhicheng Consulting Co., Ltd.* (江門志成諮詢有限公司) (“ Zhicheng Consulting ”)	a limited liability company (sole proprietorship by natural person from Hong Kong, Macao and Taiwan) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in business information consulting and enterprise management consulting.
Jiangmen Zhuoyu Investment Co., Ltd.* (江門市卓譽投資有限公司) (“ Zhuoyu Investment ”)	a limited liability company (invested or controlled by natural person) established in the PRC whose ultimate beneficial owner is Ms. Wu Peichan (吳佩嬋), and is principally engaged in investment and management.
Jiangmen Zhuofeng Investment Partnership* (Limited Partnership) (江門市卓峰投資合夥企業(有限合伙)) (“ Zhuofeng Investment ”)	a limited liability partnership established in the PRC whose ultimate beneficial owner is Mr. Qiu Donghang* (仇東航), and is principally engaged in investment and management

The Company confirms that, to the best of its Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Shareholder Shareholding Platforms and their respective ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

Employee Shareholding Platforms

Name	Details
Zhuhai Minghua Investment Partnership* (Limited Partnership) (珠海明華投資合夥企業(有限合夥)) (“ Minghua Investment ”)	a limited partnership (foreign-invested limited partnership) established in the PRC, whose ultimate beneficial owner is Ms. Qiu Dongping (仇東平), and is principally engaged in project investment.
Zhuhai Jinghe Investment Partnership* (Limited Partnership) (珠海璟和投資合夥企業(有限合夥)) (“ Jinghe Investment ”)	a limited partnership (foreign-invested limited partnership) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in investment activities with self-owned funds.
Zhuhai Weicheng Investment Partnership* (Limited Partnership) (珠海偉成投資合夥企業(有限合夥)) (“ Weicheng Investment ”)	a limited partnership (foreign-invested limited partnership) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in investment activities with self-owned funds
Zhuhai Juncheng Investment Partnership* (Limited Partnership) (珠海駿成投資合夥企業(有限合夥)) (“ Juncheng Investment ”)	a limited partnership (foreign-invested limited partnership) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in investment activities with self-owned funds
Zhuhai Langcheng Investment Partnership* (Limited Partnership) (珠海朗成投資合夥企業(有限合夥)) (“ Langcheng Investment ”)	a limited partnership (Hong Kong, Macao and Taiwan investment partnership) established in the PRC, whose ultimate beneficial owner is Mr. Cao Shuchao (曹樹潮), and is principally engaged in investment activities with self-owned funds.

The Company confirms that, to the best of its Directors’ knowledge, information and belief having made all reasonable enquiry, each of the Employee Shareholding Platforms and their respective ultimate beneficial owner are third parties independent of the Company and connected persons of the Company.

FINANCIAL IMPACT OF THE SHARE ACQUISITION

The Group does not expect to record any profit or loss in connection with the Share Acquisition. After the completion of the Share Acquisition, the Target Company will become a non-wholly owned subsidiary of BNBM and therefore an indirect subsidiary of the Company.

IMPLICATIONS UNDER THE LISTING RULES

As the highest of all of the applicable percentage ratios calculated under Rule 14.07 of the Listing Rules regarding the Share Acquisition is more than 5% but less than 25%, the Share Acquisition constitutes a discloseable transaction of the Company under the Listing Rules and is subject to the reporting and announcement requirements.

DEFINITIONS

“Audit Report”	the audit report (Mazars [2023] No. 0206066) issued by Mazars Certified Public Accountants LLP (中審眾環會計師事務所(特殊普通合夥)) as of the Valuation Reference Date
“BNBM”	Beijing New Building Materials Public Limited Company* (北新集團建材股份有限公司), a company incorporated under the laws of the PRC, the shares of which are listed on the Shenzhen Stock Exchange (stock code: 000786)
“Chengsheng Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement
“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
“Directors”	the directors of the Company
“Employee Shareholding Platforms of the Target Company”	Minghua Investment, Jinghe Investment, Weicheng Investment, Juncheng Investment, Langcheng Investment

“Group”	the Company and its subsidiaries from time to time
“Handover”	the handover of Share Acquisition
“Handover Auditor”	Mazars Certified Public Accountants LLP (中審眾環會計師事務所 (特殊普通合夥)) or other accounting firms engaged by BNBM and confirmed by the director appointed by Chengsheng Investment
“Handover Completion Date”	the date when the relevant parties entered into the handover agreement
“Handover Reference Day”	the last calendar day of the month in which the board of BNBM approves the signing of Share Transfer Agreement, being 31 December 2023
“Handover Review Report”	the handover review report issued by the Handover Auditor as of the Handover Reference Day, which will be approved by all parties
“Hong Kong”	The Hong Kong Special Administrative Region of the PRC
“Jin Kang Li”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement
“Jinghe Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Employee Shareholding Platforms” of this announcement
“Juncheng Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Employee Shareholding Platforms” of this announcement
“Langcheng Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Employee Shareholding Platforms” of this announcement
“Listing Rules”	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
“Minghua Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Employee Shareholding Platforms” of this announcement

“Original Shareholders”	Mr. Qiu Qiming and his associates WCHK and Chengsheng Investment, Mr. Cao Shuchao and his associates JKL, Yongcheng Investment and Zhicheng Consulting, Mr. Qiu Donghang and his associates Zhuoyu Investment and Zhuofeng Investment
“Performance Undertaking”	as defined in the section headed “Performance Undertaking” of this announcement
“Performance Compensation”	as defined in the section headed “Performance Undertaking” of this announcement
“PRC”	the People’s Republic of China (excluding Hong Kong, Macau Special Administrative Region and Taiwan for the purpose of this announcement)
“RMB”	Renminbi, the lawful currency of the PRC
“Service Period Undertaking and Transfer of the Remaining Shares”	the service period Undertaking of employees indirectly holding equity interest in Shareholder Shareholding Platforms of the Target Company, and the transfer of the remaining shares in according with the Share Transfer Agreement due to the violation of the aforesaid service period Undertaking, laws and regulations or rules of the Company
“Share Acquisition”	the acquisition of the Target Shares in the Target Company by BNBM pursuant to the Share Transfer Agreement
“Share Acquisition Price”	as defined in the section headed “Consideration Amount and Basis of Consideration” of this announcement
“Shareholder Shareholding Platforms of the Target Company”	WCHK, Chengsheng Investment, Jin Kang Li, Yongcheng Investment, Zhicheng Consulting, Zhuoyu Investment, Zhuofeng Investment
“Share Transfer Agreement”	the Share Transfer Agreement of Carpoly Chemical Group Co., Ltd. (《關於嘉寶莉化工集團股份有限公司的股份轉讓協議》) dated 29 December 2023 entered into among BNBM, each of the Shareholder Shareholding Platforms of the Target Company and each of the Employee Shareholding Platforms of the Target Company
“Supervision Account”	a bank account opened by BNBM in the PRC and jointly supervised by BNBM and the Shareholder Shareholding Platforms of the Target Company

“Target Company” or “Carpoly”	Carpoly Chemical Group Co., Ltd.* (嘉寶莉化工集團股份有限公司), a joint stock limited company incorporated under the laws of the PRC
“Target Group”	Target Company and its subsidiaries controlled by it, excluding its equity investment subsidiary EUROQUIMICA PAINTS, S.A
“Target Shares”	as defined in the section headed “Target Shares” of this announcement
“Undertaking Period”	as defined in the section headed “Performance Undertaking” of this announcement
“Valuation Reference Date”	31 July 2023
“Valuation Report”	The “Valuation Report” (North Asia Review (2023) No.01-1331) 《資產評估報告》(北方亞事評報字[2023]第01-1331號) issued by Beijing North Asia Asset Assessment Firm (Special General Partnership)* (北京北方亞事資產評估事務所(特殊普通合夥)) up to the Valuation Reference Date
“Valuer”	Beijing North Asia Asset Assessment Firm (Special General Partnership)* (北京北方亞事資產評估事務所(特殊普通合夥))
“WCHK”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement
“Weicheng Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Employee Shareholding Platforms” of this announcement
“Yongcheng Consulting”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement
“Zhicheng Consulting”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement
“Zhuofeng Investment”	as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement

“Zhuoyu Investment” as defined in the section headed “INFORMATION ON RELEVANT PARTIES - Shareholder Shareholding Platforms” of this announcement

“%” per cent

On behalf of the Board
China National Building Material Company Limited*
Pei Hongyan
Secretary of the Board

Beijing, the PRC
29 December 2023

As at the date of this announcement, the board of directors of the Company comprises Mr. Zhou Yuxian, Mr. Wei Rushan, Mr. Liu Yan and Mr. Wang Bing as executive directors; Mr. Li Xinhua, Mr. Chang Zhangli, Mr. Wang Yumeng, Mr. Xiao Jiaxiang, 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*

APPENDIX I – REPORT FROM THE REPORTING ACCOUNTANT

The following is the text of a report received from the reporting accountant, Moore CPA Limited, Certified Public Accountants in Hong Kong, for inclusion in this circular.



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INDEPENDENT ASSURANCE REPORT ON THE CALCULATIONS OF DISCOUNTED FUTURE ESTIMATED CASH FLOWS IN CONNECTION WITH THE VALUATION OF 78.34% EQUITY INTEREST IN CARPOLY CHEMICAL GROUP CO., LTD. (“CARPOLY CHEMICAL”)

To the Board of Directors of China National Building Material Company Limited (the “**Company**”)

We have examined the calculations of the discounted future estimated cash flows on which the valuation prepared by Beijing North Asia Asset Assessment Firm (Special General Partnership) dated 23 December 2023 in respect of the 78.34% equity interest of the Carpoly Chemical as at 31 July 2023 (the “**Valuation**”) is based. The Valuation based on the discounted future estimated cash flows is regarded as a profit forecast under Rule 14.61 of the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited (the “**Listing Rules**”) and will be included in an announcement of the Company dated 29 December 2023 in connection with the proposed acquisition of 78.34% equity interests in Carpoly Chemical (the “**Announcement**”).

Directors’ responsibilities for the discounted future estimated cash flows

The directors of the Company and Carpoly Chemical (the “**Directors**”) are solely responsible for the preparation of the discounted future estimated cash flows in accordance with the bases and assumptions determined by the directors and set out in the section headed “Profit Forecast” of the Announcement (the “**Assumptions**”). The responsibilities include carrying out appropriate procedures relevant to the preparation of the discounted future estimated cash flows for the Valuation and applying an appropriate basis of preparation; and making estimates that are reasonable in the circumstances.

Our independence and quality management

We have complied with the independence and other ethical requirements of the “Code of Ethics for Professional Accountants” issued by the Hong Kong Institute of Certified Public Accountants (the “**HKICPA**”), which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies Hong Kong Standard on Quality Management 1 “Quality Management for Firms that Perform Audits or Reviews of Financial Statements, or Other Assurance or Related Services Engagements” issued by the HKICPA, which requires the firm to design, implement and operate a system of quality management including policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

Reporting accountants’ responsibilities

Our responsibility is to express an opinion on whether the calculations of the discounted future estimated cash flows have been properly compiled, in all material respects, in accordance with the Assumptions on which the Valuation is based and to report solely to you, as a body, as required by Rule 14.62(2) of the Listing Rules, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Our engagement was conducted in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” issued by the HKICPA. This standard requires that we comply with ethical requirements and plan and perform the assurance engagement to obtain reasonable assurance on whether the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled in accordance with the Assumptions. Our work was limited primarily to making inquiries of the management of the Company and Carpoly Chemical, considering the analyses and assumptions on which the discounted future estimated cash flows are based and checking the arithmetic accuracy of the compilation of the discounted future estimated cash flows. Our work does not constitute any valuation of Carpoly Chemical.

Because the Valuation relates to discounted future estimated cash flows, no accounting policies of the Company have been adopted in its preparation. The Assumptions include hypothetical assumptions about future events and management actions which cannot be confirmed and verified in the same way as past results and these may or may not occur. Even if the events and actions anticipated do occur, actual results are still likely to be different from the Valuation and the variation may be material. Accordingly, we have not reviewed, considered or conducted any work on the reasonableness and the validity of the Assumptions and do not express any opinion whatsoever thereon.

Opinion

Based on the foregoing, in our opinion, the discounted future estimated cash flows, so far as the calculations are concerned, have been properly compiled, in all material respects, in accordance with the Assumptions.

Moore CPA Limited

Certified Public Accountants

Cheung Sai Kit

Practising Certificate Number: P05544

Hong Kong, 29 December 2023

APPENDIX II – LETTER FROM THE BOAR

29 December 2023

The Listing Division
The Stock Exchange of Hong Kong Limited
12th Floor, Two Exchange Square
8 Connaught Place, Central, Hong Kong

Dear Sirs,

DISCLOSEABLE TRANSACTION

ACQUISITION OF EQUITY INTERESTS IN CARPOLY

We refer to the valuation report (North Asia Review (2023) No. 01-1331) dated 23 December 2023 in relation to the valuation of the equity interests of Carpoly Chemical Group Co., Ltd. * (嘉寶莉化工集團股份有限公司) (the “**Target Company**”) as at 31 July 2023 prepared by Beijing North Asia Asset Assessment Firm (Special General Partnership)* (北京北方亞事資產評估事務所(特殊普通合夥)) (“**Independent Valuer**”) (the “**Valuation**”).

Since the consideration in respect of the acquisition of equity interests is based on the valuation of all shareholders’ equity interests of the Target Company as at the Valuation Reference Date adopting income approach, the Valuation constitutes a profit forecast under Rule 14.61 of the Listing Rules and accordingly, Rule 14.62 of the Listing Rules is applicable. We have discussed with the Independent Valuer about different aspects including the bases and assumptions upon which the Valuations have been prepared, and reviewed the Valuations for which the Independent Valuer is responsible. We have also considered the reports from our reporting accountant, Moore CPA Limited, regarding whether the Valuations were compiled properly so far as the calculations are concerned.

Pursuant to the requirements of Rule 14.62(3) of the Listing Rules, we are of the opinion that the Valuations prepared by the Independent Valuer have been made after due and careful enquiry.

Yours faithfully,
By order of the Board
China National Building Material Company Limited*
Mr. Zhou Yuxian
Chairman

Beijing, the PRC

* For identification purpose only