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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 ZHONGBEI KILN

THE AGREEMENT

On 18 September 2021, China Composites and CNBM Assets Management entered into the Agreement, pursuant to which China Composites has agreed to purchase, and CNBM Assets Management has agreed to sell, the 100% equity interests in Zhongbei Kiln.

LISTING RULES IMPLICATIONS

As the Parent has a direct and indirect equity interests of approximately 43.02% in aggregate in the Company, it is therefore a substantial shareholder of the Company. CNBM Assets Management is a wholly-owned subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the entering into of the Agreement and the transaction 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 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, Zhongbei Kiln will become a subsidiary of the Company and cease to be a connected person of the Company. Prior to this, there were no continuing connected transactions between members of the Group and Zhongbei Kiln. After the completion of the Acquisition, the continuing transactions (if any) between members of the Group and Zhongbei Kiln will no longer constitute continuing connected transactions of the Group.

PRINCIPAL TERMS OF THE AGREEMENT

Date

18 September 2021

Parties

- (1) China Composites, as transferee; and
- (2) CNBM Assets Management, as transferor.

Nature of transaction

China Composites has agreed to acquire, and CNBM Assets Management has agreed to sell, the 100% equity interests in Zhongbei Kiln.

Upon completion of the Acquisition, Zhongbei Kiln will become a wholly-owned subsidiary of China Composites, and in turn become a subsidiary of the Company in which the Company indirectly holds 100% interests.

Consideration

The aggregate consideration in respect of the purchase of the 100% equity interests in Zhongbei Kiln is RMB96.84 million. The consideration was determined after arm's length negotiations and taking into account the appraised value of the equity interests of Zhongbei Kiln as at 31 March 2021 based on the Valuation Report.

The consideration is payable in cash and in instalments. Within 10 Business Days of the Agreement becoming effective, China Composites shall pay 30% of the consideration to CNBM Assets Management. Within 30 Business Days after the equity interests of Zhongbei Kiln are transferred to China Composites, China Composites shall pay the remainder of the consideration to CNBM Assets Management.

Completion and losses and profits during the period

China Composites and CNBM Assets Management agree to complete the change of business registration procedures for the equity transfer within 30 days after the effective date of the Agreement, and make their best efforts to provide assistance and cooperation. The related expenses incurred for the change of enterprise registration shall be borne by Zhongbei Kiln.

After friendly negotiation between the parties, all losses and profits arising from the valuation reference date (31 March 2021) to the date when the equity registration has changed to the name of China Composites shall be borne or enjoyed by China Composites.

Conditions of effectiveness

The Agreement will become effective after (1) being executed by both parties' legal representatives or authorized representatives and affixed with the official seal of both parties; and (2) approved by the Parent.

Information on Zhongbei Kiln

Zhongbei Kiln is a company established under the laws of the PRC with limited liability and a wholly-owned subsidiary of CNBM Assets Management prior to the Acquisition. It is principally engaged in technology development, technology services, technology promotion, technology importation and exportation, goods importation and exportation and sales of instrumentation, machinery and equipment.

Pursuant to the audited accounts of Zhongbei Kiln for the year ended 31 December 2020 and 31 December 2019, respectively, which were prepared in accordance with the PRC accounting principles, the net profits (before taxation) of Zhongbei Kiln for the year of 2020 and 2019 amounted to approximately RMB24.2617 million and RMB17.9809 million, respectively; the net profits (after taxation) of Zhongbei Kiln for the year of 2020 and 2019 amounted to approximately RMB18.2599 million and RMB13.2375 million, respectively; and the audited net assets of Zhongbei Kiln as of 31 March 2021 was approximately RMB38.2028 million.

According to the Valuation Report, the appraised value (based on asset base approach) of the entire equity interest of Zhongbei Kiln as at 31 March 2021 was RMB96.8441 million.

INFORMATION ON THE RELEVANT PARTIES

The Company

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

CNBM Assets Management

CNBM Assets Management is a wholly-owned subsidiary of the Parent. Its principal business includes asset management, investment management and corporate management.

China Composites

China Composites is a subsidiary of the Company in which the Company owns 100% of its shares, and is principally engaged in carbon fiber, carbon fiber composite materials, glass fiber composite materials and water treatment and other high-tech industries, and is a new material comprehensive enterprise integrating R&D, production, sales and engineering services.

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

The subsidiary of Zhongbei Kiln is the largest and most influential organizer for professional technical exhibition of composite materials in the Asia Pacific region. Through the Acquisition, China Composites will realize the unification of exhibition sponsor and organizer. This is conducive to further enhance the comprehensive influence of China Composites, which is in line with the development direction and positioning of the main business of China Composites.

The Board (including the independent non-executive Directors) is of the view that the terms of the Acquisition are 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 its shareholders as a whole. Except that five Directors (including Mr. Cao Jianglin, Mr. Chang Zhangli, Mr. Peng Shou, Mr. Fu Jinguang and Ms. Zhan Yanjing) 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 have a material interest in the Acquisition.

LISTING RULES IMPLICATIONS

As the Parent has a direct and indirect equity interest of approximately 43.02% in aggregate in the Company, it is therefore a substantial shareholder of the Company. CNBM Assets Management is a wholly-owned subsidiary of the Parent and thus constitutes a connected person of the Company. Accordingly, the entering into of the Agreement and the transaction 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 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, Zhongbei Kiln will become a subsidiary of the Company and cease to be a connected person of the Company. Prior to this, there were no continuing connected transactions between members of the Group and Zhongbei Kiln. After the completion of the Acquisition, the continuing transactions (if any) between members of the Group and Zhongbei Kiln will no longer constitute continuing connected transactions of the Group.

DEFINITIONS

“Acquisition”	the acquisition by China Composites of 100% equity interest in Zhongbei Kiln under the Agreement
“Agreement”	the equity transfer agreement dated 18 September 2021 entered into between China Composites as transferee, and CNBM Assets Management as transferor, in relation to the purchase of the 100% equity interest in Zhongbei Kiln by China Composites
“China Composites”	China Composites Group Corporation Limited* (中國複合材料集團有限公司), a limited liability company established under the laws of the PRC
“Board”	the board of Directors
“Business Day”	any day other than a Saturday, Sunday and statutory public holiday in the PRC

“CNBM Assets Management”	China National Building Material Assets Management Co., Ltd.* (中建材資產管理有限公司), a company established 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 established under the laws of the PRC, the H shares of which are listed on the Stock Exchange
“Director(s)”	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 established 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
“Zhongbei Kiln”	Beijing Zhongbei Kiln Technology Co., Ltd.* (北京中北窯業技術有限公司), a company established under the laws of the PRC

“Valuation Report”

the valuation report prepared by Pan-China Assets Appraisal Co., Ltd.* (天健興業資產評估有限公司) in respect of the equity interests of Zhongbei Kiln for the purpose of the Acquisition

By order of the Board
China National Building Material Company Limited*
Yu Kaijun
Secretary of the Board

Beijing, the PRC
18 September 2021

As at the date of this announcement, the board of directors of the Company comprises Mr. Cao Jianglin, Mr. Chang Zhangli, Mr. Peng Shou, Mr. Cui Xingtai and Mr. Fu Jinguang as executive directors, Ms. Zhan Yanjing, Mr. Tao Zheng, Mr. Chen Yongxin, 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*